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REPORT AND RECOMMENDATION  
OF THE  
PRESIDENT  
TO THE  
EXECUTIVE DIRECTORS  
ON A  
PROPOSED PROGRAM LOAN  
TO THE  
REPUBLIC OF KOREA

February 17, 1976

East Asia and Pacific Department

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Currency Unit	=	Won
Won 485	=	US\$1.00
Won 1,000	=	US\$2.06
Won 1,000,000	=	US\$2,061.86
Fiscal Year	=	January 1 - December 31

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT  
TO THE EXECUTIVE DIRECTORS ON A PROPOSED  
PROGRAM LOAN TO THE REPUBLIC OF KOREA

1. I submit the following report and recommendation on a proposed program loan to the Republic of Korea for the equivalent of US\$75.0 million. The loan would have a term of 20 years, including five years of grace, with interest at 8 1/2 percent per annum.

PART I - THE ECONOMY

Background

2. The latest Economic Report ("Current Economic Position and Prospects of the Republic of Korea") was distributed under cover of Sec M75-437 dated June 9, 1975. The Country Data Sheets are attached as Annex I. An Industrial Sector Mission report is under preparation.

3. Korea's economic performance over the last decade was outstanding. It entered the sixties with one of the lowest income levels in the world; it had little experience of participation in international trade; and it lacked natural resources. Despite these unpromising beginnings, Korea embarked on a course of export-oriented industrial growth that has led to its recognition as one of the most successful examples of development. Its rich endowment of human resources, including skilled labor and entrepreneurial talent, a social environment which is conducive to rapid economic change, and a national dedication to economic growth, all contributed to Korea's impressive record.

4. Around 1960, the Korean economy was still heavily dependent on agriculture and tended to grow at 3-4 percent per year. Since then, however, the economy has been transformed and the growth of real GNP accelerated to around 10 percent per year. Exports of manufactures increased from \$65 million in 1964 to over \$4 billion in 1974. The manufacturing sector grew from 12 to 31 percent of GNP during this period while the share of agriculture in GNP declined from over 40 percent to 22 percent, despite an annual growth rate of 3 to 4 percent in value added in agriculture. The rate of population increase declined from 2.6 percent per year between the censuses of 1960 and 1966 to an estimated 1.7 percent in 1973/74. Consequently, real per capita income more than doubled in the last decade and is estimated at \$472 in 1974.

5. The growth of incomes has been sustained by a significant increase in the proportion of resources allocated to investment. Expenditures on fixed capital formation were below 11 percent of GNP in the years up to 1962, but have been around 24 percent of GNP in recent years. National savings rose from very low levels of around 6 percent of GNP in the early 1960's to around 15 percent of GNP in 1970-72, both government and private savings having increased very substantially. This indicates that large

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capital inflows (which averaged about 9 percent of GNP during 1970-71, roughly the same level as in the early 1960's), did not weaken efforts to mobilize resources domestically. However, Korea entered upon a period of rapid growth with a very low level of domestic savings and, therefore, the Government pursued a policy of relatively heavy dependence on external capital in the interest of a rapid acceleration of investment and growth. Moreover, since exports during 1964-74 were rising at an average rate of nearly 47 percent (in current prices), the burden of additional external debt was not excessive and the debt service ratio stood at around 13 percent in 1974.

6. Korea's performance in attempting to achieve a balanced distribution of the benefits of growth is also creditable. Available data for 1964 and 1970 indicate that the distribution of income in Korea is among the most equitable in the developing world and that the overall size distribution of income changed little during this period. However, as a consequence of the rapid growth in manufacturing and a shift of terms of trade against farmers, income of urban wage-earning households tended to increase faster than that of rural households and was twice as high in 1968. Since 1968 the Government has succeeded in raising the relative price of farm outputs, increasing labor productivity in agriculture through subsidized supply of inputs, and improving the opportunities for off-farm employment principally as part of the Saemaeul (New Community) movement begun in 1971. These measures have eliminated the differential between average household incomes in urban and rural sectors.

#### Recent Developments and the Adjustment Process

7. In the 1970's, the Korean economic situation has been subject to sudden and sharp changes (see Economic Reports distributed under cover of R74-42 dated March 4, 1974 and Sec M75-437 dated June 9, 1975). Following a period of rapid growth the Government undertook a stabilization program during 1970-72 as a result of which real investment did not increase and the growth of real GNP slowed to 8 percent per year. In 1973, international demand grew rapidly and Korea took full advantage of its opportunities. As a result, there was an unprecedented boom: real GNP grew by 16.5 percent and export volume by 57 percent; national savings rose to 22 percent of GNP, and foreign savings financed only about 15 percent of total investment.

8. The transition from the boom of 1973 to today's difficulties reflects the impact of the twin shocks of the rise in food, oil and other import prices and the recession in the industrial countries. The Korean economy was particularly vulnerable to both of these because of its heavy dependence on imported energy, raw materials, and foodstuffs, and on exports to the developed countries.

9. From the last quarter of 1973 to the middle of 1974, the prices of imports rose very rapidly. The immediate impact of the oil price increase alone was to raise the import bill by more than twice the entire current account deficit in 1973. The payments required to maintain the 1973 volume

of oil imports rose from \$277 million to over \$1 billion; the increase was equivalent to 19 percent of total imports and over 6 percent of GNP at their 1973 levels. The higher prices of foodgrains added another \$300 million to the import bill. Furthermore, the average unit value of imports other than petroleum and foodgrains rose by 45 percent during 1974, while the unit value of Korea's exports rose by only 27 percent in that year. The impact of the adverse shifts in the international terms of trade was aggravated during 1974 by the sudden recession in industrialized countries which affected the demand for Korea's exports. The United States and Japan, which took 70 percent of Korea's exports in 1973, suffered a decline of about 2 percent in real GNP in 1974. As a result, Korea's export volume, which had grown by 57 percent in 1973 (and by over 29 percent in each of the preceding 5 years), grew by only 9 percent in 1974. The volume of exports to Japan actually declined by about 6 percent.

10. The slackening of export demand and the adverse price movements had a variety of effects on the economy. First, as a direct consequence of the 18 percent deterioration in the international terms of trade, Korea suffered a real income loss of the order of 4 percent of GNP in 1974. <sup>1/</sup> Adjusting for this terms of trade effect, real gross national income rose by only 4.2 percent in 1974, following increases of 6.7 percent and 15.2 percent in the previous two years. Second, the rise in import prices accelerated domestic inflation. The rate of increase of wholesale prices rose to 42 percent in 1974 from an average of 7 percent in the previous four years. Two-thirds of the increase in prices was the result of increases in the landed cost of imported commodities. In an effort to prevent the emergence of untoward distortions, the Government allowed import price increases to be fully reflected in domestic prices (with the exception of basic foodstuffs and fertilizers). Domestic prices of petroleum products rose nearly 300 percent from August 1973 to December 1974. These were also reflected in the prices paid by consumers for electric power and transportation. In general the burden of adjustment to higher import prices was borne directly by consumers. Consequently, wholesale prices rose by 42 percent in 1974 and at an annual rate of nearly 30 percent in the first half of 1975. In the second half of the year, however, the index increased by only about 5 percent as domestic prices completed the process of adjustment to international inflation, and the program of monetary restraint instituted by the Government began to take effect. Third, the current account deficit on the balance of payments grew from \$309 million in 1973 to \$2.04 billion in 1974 and net foreign exchange reserves dropped from \$1.1 billion to \$0.3 billion during 1974. About half of this external deficit was due to the terms of trade loss, the balance being primarily due to the recession in the economies of Korea's trading partners. Finally, part of the adjustment was made by a sharp slackening in the pace of domestic economic activity. The annual rate of growth of GNP slowed from 16.5 percent in 1973 to 13.8 percent in the first half of 1974 and 4.3 percent in the second half. Import volume grew by only 4 percent in 1974, compared with an average increase of 16 percent per year in the previous

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<sup>1/</sup> At 1970 prices and exchange rates.

5 years. Industrial production (seasonally corrected) fluctuated sharply from month to month but showed very little gain after the first quarter of 1974. Employment rose by only 3.4 percent and was able to absorb only three quarters of the increase in the labor force in the year.

11. The slowdown in domestic production would have been greater but for various government measures to sustain employment. In December 1974 the currency was devalued by 17.5 percent to W 485 per US\$. Special credits were extended through the banking system to enable industry to finance accumulation of inventories, and the Government purchased excess inventories of finished goods from industries particularly hard hit by the fall in export demand. Subsidized credit was extended to small firms and exporters to ease their financial situation. The purpose of these ameliorative policies (which characterized the second half of 1974 and the first quarter of 1975) was two-fold. One was to sustain employment levels, thereby easing the adjustment of the economy to the permanent and sizeable loss of real incomes resulting from the terms of trade movement. The second objective was to prevent too precipitate a decline in investment and production levels of export industries in response to a temporary recession in export markets. In support of Korea's long-term goals, it was held desirable to maintain a minimal economic momentum and to remain poised to take rapid advantage of the anticipated recovery in export demand. This policy was, of course, predicated on the belief that the world recession would be relatively shallow and shortlived, a belief that was shared at the time by many economists and policy makers throughout the world.

12. Contrary to expectations, the recession in industrialized countries continued well into 1975, with the GNP of OECD countries having fallen by an estimated 2 percent in 1975. Despite the unfavorable demand conditions, Korea's export volume is estimated to have expanded by about 21 percent in 1975. However, as a result of reduced demand and increased international competition, particularly for iron and steel and clothing exports, Korea's export prices declined by about 7 percent and its terms of trade deteriorated by about 11 percent in 1975. This, together with rising payments on freight and interest obligations, has been principally responsible for a continued large deficit in the balance of payments (estimated at \$1.9 billion in 1975 compared with \$2.04 billion in 1974).

13. Korea has suffered heavy balance of payments losses in 1974 and 1975 due to an exceptional combination of adverse events. The average loss in the two years on account of terms of trade movements alone is estimated at about 7 percent of GNP (at 1970 prices and exchange rates). Any attempt to adjust to such a large foreign exchange loss without incurring sizeable balance of payments deficits would undoubtedly lead to large-scale unemployment and a loss of growth momentum, which would have severe adverse consequences for Korea's long-term economic development. The essence of Korean policy, therefore, has been to smooth the process of adjustment, while at the same time attempting to ensure that there is a steady movement toward long-term improvement in the balance of payments. Toward this end, the Korean

Government has intensified measures by which it had already begun, earlier in the decade, to tackle longer term structural problems in its balance of payments and the need to increase the availability of resources for investment.

14. The severity of Korea's balance of payments problems in 1974 drew attention to the sensitivity of a trade-oriented economy to the economic fluctuations of its trading partners. Because Korea is poorly endowed with natural resources and its principal comparative advantage is a skilled and energetic labor force, a relatively high degree of trade orientation is unavoidable; however, the Government has made and is making strenuous efforts to reduce Korea's vulnerability to international fluctuations by diversifying the commodity composition of and markets for exports as well as reducing import dependence.

15. In recent years Korea has made considerable progress in diversifying exports. In 1971 and 1972, 75 percent of Korea's exports went to the United States and Japan. This proportion dropped to 57 percent in the first nine months of 1975. In the same period, the share of exports to Europe nearly doubled from 9 percent to 16 percent, and the share of other countries (excluding the United States, Europe and Japan) has increased from 16 percent to 27 percent. Commodity exports to oil exporting countries have increased very rapidly from a small base, and amounted to \$120 million in the first nine months of 1975. Similarly, the commodity concentration of exports has declined significantly; four major categories of exports (textiles, clothing, plywood and miscellaneous manufactures) accounted for 60 percent of exports in 1970 but only 48 percent in the first nine months of 1975. During this period there was a particularly rapid growth of exports of iron and steel, electronics, electrical machinery and appliances and ships. During the last year, Korea has also been highly successful in winning construction contracts in the Middle East. The development of new exports and the upgrading of the quality and design of traditional exports are the major means by which Korea hopes to diversify its exports and to further reduce its dependence on markets in Japan and the United States.

16. These developments suggest that Korea will be able to sustain a rate of growth of exports that is relatively rapid compared to other countries, although not as high as it was prior to 1974. Global projections indicate that the volume of manufactured exports by developing countries is likely to grow about 12-15 percent per year for the rest of this decade. Considering that 90 percent of Korea's exports now consist of manufactured goods, that its links with the Japanese and U.S. economies remain strong, that successful efforts are being made to penetrate new markets (especially in Europe and the Middle East) and that some progress has already been made in diversifying the industrial structure, the long-term prospects for Korea's exports are markedly better than for developing countries as a whole. Provided measures continue to be taken to maintain price competitiveness, which has been somewhat eroded by the relatively high rates of inflation in Korea in the past two years, Korean exports may be expected to grow at 20-25 percent per year in terms of current prices (allowing for international price inflation of 5-6 percent per year).

17. The potential for strengthening the balance of payments on the import side is not great. Of total imports in 1974, 29 percent consisted of raw materials for exports and a further 27 percent was capital goods, categories in which substantial import savings are unlikely to be compatible with maintaining international competitiveness of export industries. More than half of the remaining 44 percent of imports consisted of petroleum and foodgrains. The scope for restraining petroleum imports (16 percent of the total) is very limited; because domestic energy sources are limited to low quality coal, firewood and limited hydroelectric power, petroleum supplies about half of Korea's energy needs and is utilized almost entirely for essential industrial and transportation purposes. The number of private automobiles is relatively small and home heating needs are met by coal and wood. Despite these constraints, the rate of growth of petroleum consumption has been severely curtailed - from 1.8 times GNP growth in 1968-73 to about the same rate as GNP growth in the following two years.

18. In order to reduce dependence on imported foodgrains, there has been an energetic effort to increase agricultural productivity. In 1972-73 imports of grain accounted for about 30 percent of grain consumption and about 11 percent of total imports. Since then, the rate of growth of value added in agriculture has nearly doubled (from about 3.5 percent to about 6 percent per year). In part this was the result of good weather conditions, but it was also in response to improved inputs and the assurance of high grain prices. The proportion of land under high yielding varieties of rice has increased from 16 percent in 1972 to 37 percent in 1975. Despite the very severe topographical limitations (nearly 3/4 of the land area is too mountainous to cultivate), there is a growing promise that Korea will be able to achieve self sufficiency in its staple foodgrains - rice and barley. As a result it is anticipated that, in the future, imports of foodgrains will amount to only about 5 percent of total imports and will consist mainly of wheat, which cannot be grown in sufficient quantity because of Korea's climate and topography.

#### Medium-Term Prospects and Program

19. The goal of Korea's economic policy in 1976 and the succeeding years is the achievement of the maximum rate of growth consistent with the maintenance of internal financial stability and a sound balance of payments. The potential for improvement in the balance of payments was foreshadowed by Korea's performance in the second half of 1975. While the full year deficit is estimated at \$1.9 billion, the deficit in the first half of 1975 was \$1.7 billion. The striking recovery in the second half was the result both of export recovery and import restraint. During the first five months of 1975, exports were 10 percent lower and imports 22 percent higher (in current prices) than in the corresponding period in 1974. Since then, monthly exports have risen steadily and imports were held below their 1974 levels, so that the increase in values for the year as a whole is expected to have been 12 percent for exports and 2 percent for imports. Allowing for changes in the unit value of imports and exports, import volume is estimated to have declined by 3 percent in 1975 and export volume to have grown by 21 percent. Since the Government had to increase grain imports to replenish food supplies and as



imports of other goods for domestic use amounted to less than 20 percent of total imports and reductions could, therefore, not be quantitatively significant, it was necessary to restrain the import of petroleum, capital goods and raw materials for the production of export goods. As the restraint in the import of raw materials was partially compensated for by the draw-down of inventory levels and the decrease in the volume of capital goods imports, if repeated in 1976, could adversely affect the expansion of capacity to produce commodities for export in future years, the same degree of import restraint cannot be sustained in 1976, when provision will have to be made for the rising volume of production and trade.

20. In the long-term, however, it is the firm intention of the Korean Government to achieve a significant reduction in the size of the balance of payments current account deficit both in absolute terms and, a fortiori, as a proportion of GNP. The Government's aim is to reduce the deficit from the peak of 12 percent of GNP in 1974 to 7.6 percent in 1976, and to lower it further to about 1-2 percent of GNP by 1980. This strengthening of the balance of payments will facilitate an improvement in the maturity structure of external borrowing and reduce reliance on short-term credits.

21. Before the recent international developments, Korea appeared to be set on an economic course which could have led to its maintaining a rate of growth of GNP of over 10 percent annually. However, these developments have led Korea to lower its sights, modifying the expected rate of growth of the economy to around 8 percent. In 1975, the growth of GNP is estimated to have been about 7.4 percent compared to an average rate of around 10 percent in the previous decade. The rate of fixed investment is being sustained at about 23 percent of GNP in 1976 but will have to increase during the Fourth Plan period (1977-81) to permit achievement even of the reduced target GNP growth rate. The great bulk of investment resources will continue to go into the manufacturing sector and immediately associated infrastructure requirements, with export growth being one of the principal criteria in selecting investment projects. In this context, the Korean authorities have recognized that efforts to deepen the industrial structure must proceed selectively and investments must be geared to expand capacity in industries which are skill-intensive, reflecting the country's international comparative advantage. This recognition has led to significant modification of the long-term investment plans which had been prepared in 1973 - specifically, a postponement of planned rates of expansion of petrochemical and steel production capacity and a shift of priorities towards electronics and machinery, which are relatively labor intensive and have shorter gestation periods. The development of the machinery industry is also seen as providing the basis for greater import substitution in the coming years.

22. In order to curtail aggregate demand in the effort to reduce inflationary and import pressures, the Government proposes to continue to restrain monetary expansion in 1976 and to monitor carefully the prices of 100 key consumer commodities. The increase in wholesale prices is expected to be restrained to about 10 percent by the end of 1976, assuming that the increase in import prices will be of the order of 5 percent during the year.

23. Success in restraining inflation is expected to have a significant favorable effect on the mobilization of private savings. In the exceptional boom year of 1973, private savings reached 17.6 percent of GNP but, predictably, declined to about 15 percent in 1975 in response to the slowdown in the growth of incomes and the high rate of inflation. Adjusting for the terms of trade loss, gross national income rose by 4.2 percent in 1974 and 3.2 percent in 1975; in 1976, no adverse movement in the terms of trade is anticipated and incomes are projected to rise by about 7 percent (at 1970 prices). The Korean Government is taking measures designed to channel the higher private savings likely to be generated by these developments to an increasing extent into the financial system and, thereby, into more effective use for productive investments. In addition to restoring a positive real rate of return on financial forms of savings (through a reduction in the rate of inflation and, if required, necessary corrective modification of the interest rate structure), the Government is taking steps to increase the supply of government and corporate securities to the public and to provide more attractive schemes for savings mobilization by commercial banks. Among the measures designed to mop up private purchasing power is the use of six-month certificates, instead of cash, in payment for one-third of the rice procured by the Grain Management Fund this crop year - amounting to about W 60 billion (US\$124 million), and carrying an interest rate of 18 percent per annum.

24. The measures to increase the mobilization of private savings are being supported by fiscal actions to increase government savings. The subsidization of farmers and urban consumers through the Grain Management Fund and the Fertilizer Fund has placed a growing strain on Government finances since 1974. In 1975, the borrowing from the Central Bank on the two accounts is estimated at about W 350 billion (nearly 4 percent of GNP). The Government is conscious of the importance of reducing this financial burden and is taking the necessary remedial steps to slow down stock accumulation and to adjust prices so as to eliminate the operating deficits. The selling price of fertilizers was raised by 79 percent in December 1975, an increase which is expected to eliminate the operating deficit of the Fertilizer Fund. Furthermore, the Government intends to set prices paid for the procurement and sale of grain by the GMF at levels which will enable the elimination of the operating deficit in respect of wheat in 1976 and rice in 1977, leaving only a small deficit resulting from the subsidy on barley, sales of which are primarily for the lower income groups. The overall operating deficit of the GMF is to be totally eliminated in 1978, although the deficit on barley sales may continue; however, the GMF will be permitted to continue to incur cash deficits for the accumulation of grain inventories as needed.

25. In addition to these measures to eliminate progressively the deficits in the extra-budgetary accounts, strong measures have been taken to maintain budgetary savings performance despite increased expenditures on defense and government salaries. In response to the perceived need to improve Korea's defense capability following the events in Indochina and related developments, expenditures on defense have increased from 4.3 percent to 5.1 percent of GNP in 1975 and are budgeted to increase

further to 6.4 percent of GNP in 1976; and to improve the salary levels of government officials, expenditures on salaries and pensions are budgeted to increase by 43 percent in 1975 and 61 percent in 1976. Against the anticipated increase of W 595 billion in expenditure on these two items in 1975 and 1976, budget revenues are expected to increase by W 903 billion. In part, the increase in revenues is the result of inflation in nominal incomes, but a significant proportion, W 214 billion, is to be contributed by the defense surtax imposed in July 1975. <sup>1/</sup> The increased revenue mobilization and the strong restraint on other current expenditures (which are not permitted to increase at all), will result in the budgetary current surplus being maintained at over 3 percent of GNP.

26. This combination of measures to strengthen the balance of payments and to improve the mobilization and effective utilization of domestic resources should help Korea to emerge successfully from its present economic difficulties. The continued high levels of balance of payments deficits in 1974 and 1975 were, at least partly, due to the need to continue building the foundations for future export growth which, as we have noted, is a key determinant of its economic performance. Investment requirements are dictated by the need to expand export volume, diversify the commodity composition of exports and increase the domestic value-added component of exports. Although Korea continues to look to exports for its growth momentum and to narrow the balance of payments deficit, it is at the same time attempting to replace imports with domestic production, particularly in the foodgrain and machinery sectors, to the extent possible. This will further increase investment requirements in the short run. To sustain investment levels in the face of severe balance of payments problems and uncertainties about the rate of recovery of international demand doubtless involves an element of risk. However, the risk does not appear to be unduly large, especially in the light of Korea's past export performance and demonstrated flexibility in economic policy making; and there is a significant payoff to this strategy in maintaining the momentum of growth, which might be difficult to restore if more severe contractionary policies were undertaken.

#### Financing Korea's External Requirements

27. As noted in paragraphs 13-18, the Korean Government has already undertaken a variety of measures to strengthen the balance of payments. Perhaps the most direct result of these efforts is shown in the trade deficit, which is projected at \$1.15 billion in 1976, down from \$1.54 billion in 1975 and a peak of \$1.95 billion in 1974. The improvement in the trade balance is partly offset by unfavorable movement in the invisibles account (mainly due to higher payments for freight and interest and lagging tourism receipts) and reduced inflows of transfers. Consequently, the improvement in

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<sup>1/</sup> The defense surtax is a temporary levy, until 1980, aimed at securing financial resources required for increased national defense expenditures without reducing public expenditures on development. The levy is primarily a surtax on a number of existing taxes.

the current account balance is a smaller one, from a deficit of \$2.0 billion in 1974 to \$1.9 billion in 1975 and a projected \$1.7 billion in 1976.

28. Financing the large current account deficit has posed a severe challenge to Korea. In 1974, the increase in the deficit was financed substantially by monetary movements, including a substantial draw-down of the reserves which had been accumulated in 1972 and 1973. In 1975, the proportion of the deficit financed by medium- and long-term capital movements is estimated to have risen to 57 percent (compared to 42 percent in 1974), the bulk of the increase being from official sources such as the Bank and ADB. The Korean authorities have also been very active in soliciting assistance from oil exporting countries and have so far obtained \$19 million from Abu Dhabi and an assurance of \$70 million from the Saudi Fund for Development. Net inflows of medium- and long-term capital from commercial sources are estimated to have increased only slightly to \$572 million in 1975, and private direct investment to have dropped from \$104 million in 1974 to an estimated \$42 million in 1975 because of the poor international business conditions. Drawings on the IMF and medium-term bank credits provided about \$200 million. An increase of about \$700 million in short-term trade credits filled the remaining gap and permitted a slight but essential build-up in net reserves.

29. Korea's debt service payments increased from \$446 million in 1973 to \$610 million in 1974 and an estimated \$762 million in 1975 (13 percent of estimated exports of goods and non-factor services). The increase was due not only to an expanded volume of debt but also to the greater reliance on medium-term borrowings and a hardening of the terms on which external debt is available. The average maturity of Korea's new external debt commitments (both private and official, but excluding short-term debt) dropped from 23.6 years in 1972 to 18.5 years in 1973 and 11.6 years in 1974. However, the average maturity of aggregate outstanding debt dropped much less, i.e. from 20.6 years at the end of 1972 to 18.4 years at the end of 1974.

SUMMARY BALANCE OF PAYMENTS  
(million dollars)

	<u>1974</u> Actual	<u>1975 a/</u> Estimate	<u>1976 a/</u> Estimate
Exports	4515	5064	6350
Imports	6468	6600	7500
Invisibles & Transfers	-87	-402	-557
<u>Current Account Balance</u>	<u>-2040</u>	<u>-1938</u>	<u>-1707</u>
Private Direct Investment	104	42	135
Commercial MLT Capital	498	572	568
Official Capital	255	489	622 <u>b/</u>
Other Short-term Capital and Bank Borrowing	291	787	307
IMF	132	128	75
Change in Net Reserves <u>c/</u>	760	-80	0

a/ Mission estimates; Government estimates somewhat smaller deficits.

b/ Includes proposed program loan.

c/ Net reserves is defined as gross foreign assets minus short-term foreign exchange liabilities of the banking system.

30. The magnitude of the external financing requirement in 1976 is shown in the Table above. As stated earlier, a full adjustment to the deterioration in the terms of trade and slowdown in export earnings will take several years, although significant gains can be expected in 1976. The basic assumption underlying the projections for 1976 is that Korea's trading partners will show at least a mild recovery in their levels of economic activity, so that Korea's export volume could grow at 20 percent without the deterioration in the terms of trade which characterized 1975. The projected export growth is reasonable in the light of the sustained rapid growth of Korea's exports, its aggressive penetration in new markets and greater product diversification in recent years. Import volume is expected to increase by 9 percent, notwithstanding a 15 percent decline in the volume of grain imports. The required increases in imports represent a return to a more normal relationship between imports of raw materials and production for export as well as provision for a 10 percent increase in the volume of capital goods imports.

31. An improvement of about \$231 million in the balance of payments current account is expected this year compared to 1975; a deficit of about \$1.7 billion is projected for 1976. Net disbursements of medium- and long-term capital (i.e., with maturities exceeding one year) are expected to be in the region of \$1.1 billion in 1976, excluding the proposed program loan. This amount includes about \$800 million in net disbursements from the existing pipeline of official and commercial loans; the remaining net disbursements of \$300 million will be forthcoming if Korea can obtain new

official commitments (from governments and international organizations) of about \$1.0 billion and new commercial commitments (from suppliers, private banks and Eximbanks) of \$1.2 billion. These are ambitious targets in light of the 1975 official and commercial commitment levels of about \$800 million and \$600 million, respectively (although in 1974 new commercial commitments were \$1.1 billion). On the assumption that business conditions will improve, direct investment is projected to increase to \$135 million, and there is a possibility that the IMF will provide up to \$75 million in 1976. As observed earlier, net reserves are already very low (estimated at about \$375 million at the end of 1975) and cannot be prudently drawn down to finance the prospective deficit. Thus, there remains a residual financing requirement of approximately \$400 million, or 23 percent of the estimated current account deficit. Unless there is an increase in official aid commitments which can be disbursed expeditiously and adequate medium- and long-term capital is made available to Korea in 1976, this financing need would have to be met by increases in short-term trade credits and bank borrowing, perhaps combined with some further reduction in imports. Over the longer term, the achievement of even the reduced income and investment growth targets will require substantial external capital resources through the end of the decade. An improvement in the maturity structure of new debt is necessary in order to avoid a deterioration in Korea's debt service ratio. Assuming that capital inflows will be forthcoming on reasonable terms, the debt service ratio will rise from 13 percent in 1975 to about 16 percent in 1977 (due to heavy medium-term borrowing in 1974 and 1975) and then decline to under 15 percent by 1980.

## PART II - BANK GROUP OPERATIONS

32. As of December 31, 1975, Korea had received 22 Bank Loans and 8 IDA Credits, amounting in total to \$883.8 million in loans and \$107.0 million in credits (taking into account cancellations and the refinancing of one IDA Credit in a subsequent Bank loan).

33. A substantial part of Bank financing has been for the transport sector --\$219.7 million for railways, \$101.5 million for highways <sup>1/</sup> and \$80 million for ports. \$130.5 million has been lent for agriculture projects. The Korea Development Finance Corporation (KDFC) has received \$150 million, the Korea Development Bank (KDB) \$60 million, and the Medium Industry Bank (MIB) \$30 million in Bank loans for relending to private industry. A total of \$80.3 million has been provided for three education projects; \$25.0 million for a tourism project; and \$15.0 million for a secondary cities project. The First Program Loan to Korea of \$100 million (1094-KO) was approved in March 1975 and became effective on April 21, 1975. Disbursements were completed by November 22, 1975. The administrative arrangements set up to screen applications and arrange for disbursements under the First Program

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<sup>1/</sup> A \$90.0 million loan for a Third Highway Project was approved on February 3, 1976.

Loan have worked most efficiently, and it is proposed to retain these for the purposes of the proposed loan.

34. As of December 31, 1975, about \$452 million of the total Bank lending remained undisbursed on effective Loans and Credits, mostly from commitments in the past eighteen months. Annex II contains a summary statement of Bank Loans, IDA Credits, and IFC Investments as of that date and Notes on the execution of ongoing projects. As indicated in the Notes, progress on project implementation is generally satisfactory.

35. Excluding one project that was subsequently cancelled, IFC had, by December 31, 1975, entered into nine commitments: five in the financial sector and one each in the fields of textiles, electrical and electronic products, synthetic fibers and tourism, totalling \$30.4 million (net of participations and cancellations). In December 1975, IFC's Board approved a tenth commitment of about \$5.5 million in loan and equity for a paper manufacturing company. Currently, IFC has under advanced consideration a zinc smelting and a tire manufacturing project; under preliminary consideration are projects in the fields of steel products, cement distribution, construction materials, bearings, electronics and development finance.

36. Korea's ambitious industrial development programs require large capital expenditures and further loans to the three major development banks are planned to meet this need. This will enable the continuation of assistance to a wide spectrum of industries, including small and medium sized enterprises. With the closer relationship established as a result of recent promotional efforts, we expect IFC's activities also to continue expanding rapidly. IFC would seek projects that would: (a) result in foreign exchange revenues or savings; (b) contribute to modernize or deepen the industrial structure; and (c) increase value added in manufacturing.

37. The emphasis which the Government places on agricultural and rural development will be reflected in the programs for FY76 and FY77. A Second Integrated Dairy Development Project was approved recently; in addition, a rural infrastructure project, the Miho watershed development project, the second stage of the Yong San Gang irrigation project, and a second agricultural credit project have been appraised; the Okseo irrigation and regional development project has been identified and is under preparation.

38. The further development of the industrial and agricultural sectors and the anticipated growth of exports will require concurrent infrastructural development. Although the transport sector will be given relatively less emphasis than in the past, the investments required are large, and thus there is considerable support for this sector in the proposed program.

39. The share of the Bank Group in Korea's total external debt (disbursed) outstanding at the end of 1975 was about 8.5 percent, and the share of debt service was of the order of 3.0 percent at that time. These ratios are expected to increase somewhat by the end of the present decade.

### PART III - SECTORAL INVESTMENT POLICIES AND PROGRAMS

40. In 1972, the Government prepared a macro-economic planning framework for 1972-81 to present in some detail the growth strategy for the period through 1981. The strategy was an extension of the high growth path Korea had followed, on the whole successfully, in the previous decade. The rate of growth of GNP was to be maintained at the level of about 11 percent, and growth was to depend, as in the past, on a more rapid expansion of exports than of GNP.

41. Recent international economic setbacks have caused Korea to re-examine its basic developmental objectives and strategy. The issues relating to the formulation of the investment program and Korea's development strategy in the light of the evolving international economic environment are being addressed in the context of the preparation of the Fourth Five Year Plan (1977-81). The Bank is in close consultation with the Korean Government concerning the content of the Plan and is the executing agency for a UNDP-financed project to provide technical assistance in the preparation of the Plan in a wide range of areas (see Annex V). The draft Fourth Five Year Plan will also be reviewed by a Bank Basic Economic Mission in mid-1976.

42. Although the Plan targets and allocations have not yet been finalized, the outlines of the development strategy are known, and it is possible to identify in broad terms the policy framework for the next few years. Korea will continue to look to exports, principally of manufactures, for its growth momentum, at the same time attempting to replace imports with domestic production, particularly in the foodgrain and machinery sectors, to the extent possible.

#### Agriculture

43. Korea's geo-physical features have been a principal determinant of the pattern of its agricultural development. There is a concentration of settlement, intensive farming and irrigation development on the alluvial plains along the coastal areas in the west and south; increased double cropping moving from north to south; frequent drought and flood damage to crops; and widespread occurrence of acidic soils. Of the 2.3 million hectares of cultivated land, the lowland and river valleys constitute about 60 percent, on which rice is grown; the balance is made up of foothills bordering the paddy fields, on which upland crops, fruits and vegetables are cultivated, and forest lands at the higher altitudes.

44. The extraordinary expansion of Korea's export-oriented manufacturing sector in recent years has, to a certain extent, obscured the tangible and impressive, albeit less spectacular, gains made by the country's agricultural sector. In the 1962-74 period, value added in this sector increased by over 4 percent per annum; Korea's agricultural exports (including those of the fisheries sub-sector) rose from about \$70 million in 1967 to approximately \$423 million in 1974. Further, despite the steady increase



in industrial wages, rising agricultural productivity and increased farm-gate prices have contributed towards the achievement of quite high yields per hectare and near-parity in the earnings of urban and rural households. These achievements are all the more commendable in view of the fact that, because of the geo-physical features referred to above, only about a quarter of Korea's total land area of 10 million hectares is cultivable, and cultivable area per capita is much lower in Korea than in, for example, the Philippines, Thailand, Malaysia or Indonesia.

45. Nevertheless, the growth of agricultural output has not kept pace with domestic requirements. This has caused the Government to be increasingly concerned with the need to raise agricultural productivity and to devote additional resources to the development of agriculture. More than three times the resources budgeted for agriculture in the previous Five Year Plan (1967-71) are included in the current Plan (1972-76).

46. The two major strands of the Government's agricultural development strategy are: (a) the further intensification of grain cultivation to relieve the strain which food imports place on the balance of payments; and (b) the expansion of the output of fruits, vegetables, mushrooms, tobacco, mulberry and livestock to increase farm incomes and to utilize labor more fully. Irrigation and drainage are being extended wherever possible. The Bank Group's lending for agriculture in Korea has been aimed at assisting in the attainment of both these objectives.

#### Industrial Development

47. Over the last decade planning for the development of industry centered around the aim of expanding the export of manufactures rather than concentrating principally on import-substitution, as many developing countries had done in the early 1960's. An important ingredient in the success of this policy was the fact that formal education in Korea had by the 1960's reached a level comparable with that of countries with considerably higher income levels. This gave Korea the advantages of a skilled and adaptable labor force as well as the ability to quickly develop efficient managerial talent. Thus, Korea adopted a policy of developing labor-intensive industries, such as textiles, clothing, electronics and plywood, whose capital requirements are modest. In this respect, it is noteworthy that the expansion of Korea's industrial structure in recent years (1970-74) absorbed only 23 percent of total fixed investment, and that value added per worker increased by about 10 percent per annum over the last decade, reaching about \$2,000 in 1974. The extent to which the Korean economy depended on its light industry can also be gauged from the fact that in 1972 it accounted for nearly 90 percent of the exports of the manufacturing sector and about 80 percent of the value of total merchandise exports.

48. This strategy served Korea well in a period of continuous growth, but it has also made Korean industry vulnerable in a time of international recession. Korea's industrial plans in recent years have, therefore, been aimed at diversifying and deepening its industrial structure. Since

1970, over half of the total industrial investment has been allocated to chemical, petroleum and basic metal industries to ensure the supply of raw materials at competitive and reasonably stable prices. The establishment of Korea's first integrated steel plant at Pohang (currently being expanded from 1 million to 2.6 million tons), the large shipyard at Ulsan, and the naptha cracking plant and related operations at the Ulsan oil refining complex, were major steps in the deepening of the industrial structure.

49. The recent economic setbacks have necessitated a re-examination of the long-term development plans and the strategy underlying them. While the emphasis on increasing the share of heavy industry in exports and on enhancing the domestic content of manufactures remains generally valid, the program of heavy and chemical industries is being critically evaluated and reoriented to meet changing circumstances; some heavy industry projects have been deferred, or altogether eliminated, especially those which are extremely capital and energy intensive and those which will be heavily dependent on foreign markets, foreign investment flows and imported raw materials.

50. Notwithstanding the additional changes in Korea's plans that are likely to result from further re-examination of its industrial strategy, it is apparent that the re-structuring and expansion of Korean industries will require a heavy outlay of capital. The Government has embarked on a major effort to mobilize the funds required by increasing domestic savings. A National Investment Fund (NIF) was established in December 1973; it is expected to finance a sizeable proportion of the investment needs of Korea's major industries by the early 1980's. The Minister of Finance is in charge of the Fund but in effect delegates its management and operation to the Governor of the Bank of Korea. The resources of the Fund will be mobilized mainly by issuance of NIF-Bonds (which are purchased by banks, savings institutions and certain pension and trust funds) and the remainder by direct subscription by the Government. The funds will be on-lent through the banking system for investments in fixed assets (about two-thirds) and for working capital needs (one-third) of major industries.

#### Transportation

51. The development of the various transport modes in Korea has been influenced by the nature of the terrain (about two-thirds of the land is hilly); the concentration of economic activity and population around the Seoul-Incheon and Busan areas; the location of domestic natural resources, e.g. coal, iron ore and limestone, in the north, northeast and center of the country; a long coastline with increasing industrial activity; and the economic dependence on exports of manufactured goods and imports of bulk raw materials.

52. The development of the transport sector in Korea is seen most clearly when viewed in the context of the remarkable growth and structural change experienced by the economy during recent years. Manufacturing output

grew at an annual average rate of 18 percent in the 1960-73 period and the export of manufactures at an even faster rate. This rapid expansion of production and exports placed a severe strain on the transport sector, partly because relatively modest amounts were invested in the enlargement of its capacity during the First Development Plan period (1962-66).

53. During the Second Plan period (1967-71), the demand for transport facilities increased at an even faster pace than many of the other indicators of economic growth. Domestic passenger traffic (in terms of passenger kilometers) increased at the annual average rate of 11 percent and freight traffic (in ton-kilometers) at 19 percent; international traffic handled through the ports rose by 22 percent a year. The Government realized that the further growth of the dynamic private sector could be seriously impeded by bottlenecks in transport infrastructure. Accordingly, the allocation for investment in transport was raised from 17 percent of the Government's capital expenditure in the First Plan period to 27 percent for the Second Plan. During this period, over W 240 billion was committed for the improvement of the railways, the construction of new and maintenance of existing roads, and the expansion of port and airport capacity. The demand for transport services has continued to grow during the first four years of the Third Plan (1972-76) in the course of which the Government intends to invest about W 490 billion (approximately \$1 billion) in transport infrastructure, or just over a quarter of total governmental capital expenditure proposed in the Plan.

54. The Bank Group's association with the Government's efforts to modernize and expand the transport sector in Korea dates back to 1962, when a \$14.0 million Credit was made to help finance the First Railway Project. The railroad system, which had been rehabilitated following the Korean War, was at that time the only means for the large-scale movement of goods and passengers, since the country had a very small network of roads and few motor vehicles. The rapid economic progress of the succeeding years called for a wider range of transport services. In 1965, the Bank made a technical assistance grant for a comprehensive survey of land transportation modes, which was carried out by consultants. Their report, which was completed in late 1966, concluded that the railways could be expected to handle a large part of the country's freight traffic, of which a large proportion consisted of moving bulk commodities over relatively long distances, but that, since the road-system was inadequate for shorter haul and mixed freight traffic, the Government should also emphasize highway improvement in its development programs. It suggested that an organization to coordinate transport policy was needed. In 1968, the Association extended a \$3.5 million technical assistance Credit (Cr. S-4KO) to help finance feasibility and detailed engineering studies to improve the highway network and a study on transport coordination. A UNDP-financed port development study was initiated in 1971 with the Bank acting as the Executing Agency. The UNDP study recommended an investment plan for Korea's 17 first-class ports, which is now being implemented.

55. The Bank Group's lending operations have been directed towards assisting the program of investments which stemmed from a review of the recommendations of the various studies referred to in the previous paragraph. The Korean National Railroad (KNR) has continued to receive Bank Group support to improve and expand its services. To date, KNR has received about \$220 million in the form of loans and credits to help finance five projects. In June 1973, the Bank made an \$80 million loan to support the expansion of two ports -- Busan and Mukho. Following the studies financed from the proceeds of the technical assistance Credit (S-4K0), a Bank loan of \$54.5 million (769-K0) was made in 1971 to finance the construction of about 400 kilometers of national highways, feasibility and detailed engineering studies (covering 900 additional kilometers of priority roads), a highway maintenance study and the purchase of equipment and spare parts for a pilot highway maintenance program. The studies and maintenance program led to the formulation of the Second Highway Project, for which a loan of \$47.0 million (956-K0) was approved in early 1974; it is progressing satisfactorily.

#### Education

56. Six years of primary education is now required for all children in the 6-11 age bracket. Some 69 percent of the children in the 12-14 age group receive a three-year middle school education. The high school enrollment of those in the 15-17 age bracket is 32 percent. More than 90 percent of entrants at each of the primary, junior secondary and senior secondary levels complete the cycle without delay. More than two-thirds of the 1973 graduates of technical high schools and junior technical colleges found immediate employment in the fields in which they were trained. Recurrent expenditures per student are low, there are only moderate regional and rural/urban enrollment differentials at the basic education level, and an increasing number of non-formal vocational training programs have been developed to supplement the formal education system.

57. During the 1974-81 period, shortages of skilled workers and certain categories of technicians are expected. In addition to reform of some curricula, equipment, specialized facilities in technical secondary education and teacher training are areas which require improvement. There is also considerable scope for upgrading the quality of education, expanding vocational training programs, providing public financial support for the rural schools at the middle school level and devising special educational programs for the poorer strata of Korea's rapidly expanding urban society. The Government's efforts are, thus, directed at improving the quality, relevance and productivity of the system. Priority is being given to expanding and improving sub-professional training, to improving high school education, and to balancing university education with the requirements of the economy. Technical and vocational training at all levels is being given the highest priority. The Bank's lending strategy is aimed at assisting these efforts, as evidenced by the three ongoing Bank-supported projects.

PART IV - THE PROGRAM LOAN

58. Korea's remarkable economic growth is based on sound planning and effective management. The Korean Government has demonstrated its capacity to monitor closely domestic and international trends, to adapt policy to changed circumstances and to implement rapidly decisions taken. The long-term prospects for the continued development of the Korean economy are favorable. Korea is now in its Third Plan period (1972-76) and, despite the setbacks in 1974 and 1975, it is likely that the major targets of the Plan will be achieved. The development program is realistic and maintains a sensible mix of policies designed to increase the growth of employment and incomes, and to share the benefits of growth among all income groups.

59. On the basis of our close consultation with the Korean Government on economic policy matters, we are satisfied with the general thrust of Korea's development strategy. The substance of the adjustment measures and the medium-term program outlined in paragraphs 13 to 25 is contained in a policy statement from the Korean Government (attached as Annex IV); in our view, it represents an adequate and proper response to the opportunities and constraints now facing the Korean economy.

60. I, therefore, recommend that a loan of \$75 million be made to Korea at this time in support of the Government's development program. In assessing the exceptional circumstances underlying the need for this program loan to Korea, the following general criteria were given special emphasis:

- (a) the country should have an ongoing development program and should have taken and intend to take supporting economic and financial policy measures which provide a satisfactory basis for external assistance; and
- (b) the needed timely transfer of resources from external lenders in support of the ongoing development program cannot be achieved effectively and expeditiously solely by the financing of specific investment projects, including justifiable local currency expenditures.

I am satisfied that the proposed loan meets these criteria.

### Categories of Imported Goods to be Financed

61. The loan would be disbursed on the basis of the receipt of satisfactory evidence of purchase of and payment for imported items in the following categories:

1. Finished structural parts and structures.
2. Metal containers for storage and transport.
3. Tools.
4. Boilers.
5. Pumps and Centrifuges.
6. Heating and cooling equipment.
7. Mechanical Handling Machinery.
8. Mining Machinery.
9. Metal Working Machinery
10. Electrical Machinery and Equipment.

Imported items in these categories are principally capital and intermediate goods for export industries. This particular list of categories was selected as representing categories of imports which would be available from a wide variety of sources and for which purchases are normally paid for in cash. The same list of categories was used for the First Program Loan and the bulk of the procurement was from Japanese suppliers. Imports of goods in these categories in 1976 are expected to exceed \$1 billion equivalent, thus ensuring rapid disbursement of this loan which will cover only a small portion of the total import requirements.

### Korea Exchange Bank

62. The Korea Exchange Bank (KEB) would be responsible for the coordination and collection of relevant documentation and preparing withdrawal applications under the loan. The KEB was created in 1966 by the Korea Exchange Bank Act. Two-thirds of its capital of W 30 billion was subscribed by the Bank of Korea and one-third by the Government. The President of KEB is appointed by the President of the Republic; the Governors are nominated by the Minister of Finance and approved by the President of the Republic.

63. The KEB acts as the Government's foreign exchange bank. It handles 50-60 percent of Korea's total imports; the remainder is serviced through six commercial banks. The Ministry of Finance would circulate instructions to the commercial banks explaining the type of documentation to be forwarded to the KEB to form the basis of withdrawal applications under the loan. A similar arrangement worked satisfactorily in connection with the First Program Loan.

### Import Regulations and Controls

64. About half of the import categories covered by the Brussels Trade Nomenclature are designated as "automatically approved" items in Korea. KEB and the commercial banks may issue import licenses directly for such items. For restricted items, a "recommendation" from the relevant Ministry is required before a bank can issue a license. These are normally given

within one week of application. All importers belong to associations which provide advice and assistance to them with respect to licensing procedures and regulations.

#### Procurement and Disbursement

65. Goods purchased by private firms from Bank member countries (and Switzerland) on the basis of normal commercial practices would be eligible for reimbursement from the loan. Imports for which financing is provided from other external sources would not be eligible nor would the Bank reimburse for repayments made before the loan is signed. Reimbursement would be made by the Bank on the basis of import documents and evidence of payment. It is expected that the proceeds of the loan would be fully disbursed before April 30, 1977.

#### Use of Counterpart Funds

66. The Won equivalent of the imports financed under the loan would be credited by the KEB to the Special Loan Fund Account held by the Ministry of Finance, a trust account into which the proceeds of all foreign loans are paid and from which principal and interest on foreign loans are met. Funds from this account are transferred to the Economic Development Special Account which is used to finance capital expenditures on development projects, including those for which Bank financing is provided. Adequate provision has been made in the Economic Development Special Account to meet the local cost requirements of Bank-financed projects in 1976.

### PART V - LEGAL INSTRUMENTS AND AUTHORITY

67. The draft Agreement between the Republic of Korea and the Bank, the Report of the Committee provided for in Article III, Section 4 (iii) of the Articles of Agreement of the Bank and the text of a resolution approving the proposed loan are being distributed to the Executive Directors separately. The draft agreement follows the general pattern for program loans.

68. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

69. I recommend that the Executive Directors approve the proposed loan.

Robert S. McNamara  
President  
by J. Burke Knapp

Attachments  
February 17, 1976



## ANNEX I

Page 1 of 3 pages

## COUNTRY DATA - KOREA

AREA  
98,477 km<sup>2</sup>POPULATION  
33.46 million (mid-1974)DENSITY  
74.9 Per km<sup>2</sup> of arable land

## SOCIAL INDICATORS

	Korea		Reference Countries		
	1960	1970	Thailand 1970	Turkey 1970	Japan <sup>*</sup> 1970
GNP PER CAPITA US\$ (ATLAS BASIS) <sup>/1</sup>	14.0 <sup>/a</sup>	31.0 <sup>/b</sup>	22.0 <sup>/b</sup>	37.0 <sup>/b</sup>	2,320 <sup>/b</sup>
DEMOGRAPHIC					
Crude birth rate (per thousand)	4.0 <sup>/c</sup>	28	4.3 <sup>/d,e</sup>	38 <sup>/d,e</sup>	19.4 <sup>/b</sup>
Crude death rate (per thousand)	11 <sup>/c</sup>	8	10 <sup>/d,e</sup>	13 <sup>/d,e</sup>	6.5 <sup>/b</sup>
Infant mortality rate (per thousand live births)	..	..	80-90 <sup>/e</sup>	11.5 <sup>/g</sup>	11.7 <sup>/b</sup>
Life expectancy at birth (years)	56	65	59 <sup>/d,e</sup>	55 <sup>/h</sup>	72
Gross reproduction rate <sup>/2</sup>	3.1 <sup>/d</sup>	2.6 <sup>/d</sup>	3.2 <sup>/d</sup>	2.6 <sup>/e,h</sup>	1.0 <sup>/d</sup>
Population growth rate <sup>/3</sup>	3.0 <sup>/e,i</sup>	2.2 <sup>/i</sup>	3.1 <sup>/i</sup>	2.5 <sup>/i</sup>	1.1 <sup>/i</sup>
Population growth rate - urban	6 <sup>/i,j</sup>	6 <sup>/i</sup>	5 <sup>/k</sup>	4.5 <sup>/i</sup>	2.4 <sup>/e</sup>
Age structure (percent)					
0-14	43	40 <sup>/b</sup>	45	42	24.2 <sup>/b</sup>
15-64	54	57 <sup>/b</sup>	52	54	68.5 <sup>/b</sup>
65 and over	3	3 <sup>/b</sup>	3	4	7.3 <sup>/b</sup>
Age dependency ratio <sup>/4</sup>	0.9	0.8 <sup>/b</sup>	0.9	0.9	0.5 <sup>/b</sup>
Economic dependency ratio <sup>/4</sup>	1.5	1.4 <sup>/b</sup>	1.1	1.1 <sup>/k</sup>	0.7 <sup>/e</sup>
Urban population as percent of total	28 <sup>/i</sup>	41 <sup>/i</sup>	13 <sup>/k</sup>	39 <sup>/b,l</sup>	72 <sup>/e</sup>
Family planning: No. of acceptors cumulative (thous.)	..	..	550	484 <sup>/o,p</sup>	..
No. of users (% of married women)	..	..	10	8.2 <sup>/k</sup>	..
EMPLOYMENT					
Total labor force (thousands)	7,500	12,100 <sup>/u</sup>	16,900	14,500 <sup>/r</sup>	52,990 <sup>/sk,sl</sup>
Percentage employed in agriculture	66	52 <sup>/u</sup>	78	67	19.1
Percentage unemployed	9	4.1 <sup>/u</sup>	..	4 <sup>/se</sup>	1.3 <sup>/sk,sl</sup>
INCOME DISTRIBUTION					
Percent of national income received by highest 5%	17 <sup>/s,sl</sup>	15 <sup>/t,t</sup>	..	32 <sup>/s,t,v</sup>	..
Percent of national income received by highest 20%	42 <sup>/s,sl</sup>	37 <sup>/t,t</sup>	..	60 <sup>/s,t,v</sup>	..
Percent of national income received by lowest 20%	7 <sup>/s,sl</sup>	10 <sup>/t,t</sup>	..	3 <sup>/s,t,v</sup>	..
Percent of national income received by lowest 40%	20 <sup>/s,sl</sup>	24 <sup>/t,t</sup>	..	10 <sup>/s,t,v</sup>	..
DISTRIBUTION OF LAND OWNERSHIP					
% owned by top 10% of owners	27	28	..	53	..
% owned by smallest 10% of owners	3	2	..	0.9	..
HEALTH AND NUTRITION					
Population per physician	3,000 <sup>/s,w</sup>	1,870 <sup>/b</sup>	7,250 <sup>/f</sup>	2,190 <sup>/f</sup>	850 <sup>/f</sup>
Population per nursing person	..	1,360 <sup>/s,w</sup>	2,950 <sup>/f</sup>	1,830 <sup>/f</sup>	340 <sup>/f</sup>
Population per hospital bed	2,600 <sup>/s,w</sup>	1,850 <sup>/b</sup>	820 <sup>/f</sup>	480 <sup>/f</sup>	30 <sup>/f</sup>
Per capita calorie supply as % of requirements <sup>/5</sup>	85	103	105	110	106
Per capita protein supply, total (grams per day) <sup>/6</sup>	53	65	52	78	76
Of which, animal and pulse	13 <sup>/c</sup>	19 <sup>/y,z</sup>	17 <sup>/aa</sup>	22 <sup>/aa</sup>	45
Death rate 1-4 years <sup>/7</sup>	..	..	..	15 <sup>/h</sup>	1.0 <sup>/f</sup>
EDUCATION					
Adjusted <sup>/8</sup> primary school enrollment ratio	96	98 <sup>/b</sup>	83 <sup>/f</sup>	111	100
Adjusted <sup>/8</sup> secondary school enrollment ratio	27	41 <sup>/b</sup>	13 <sup>/g</sup>	28	90
Years of schooling provided, first and second level	12	12	12	11	12
Vocational enrollment as % of sec. school enrollment	14	15 <sup>/f</sup>	12 <sup>/y,ab</sup>	14	20
Adult literacy rate %	..	92 <sup>/b,g,ag</sup>	..	55 <sup>/ad</sup>	99 <sup>/t,v</sup>
HOUSING					
Average No. of persons per room (urban)	2.8	2.7	..	1.9	1.0 <sup>/a</sup>
Percent of occupied units without piped water	88 <sup>/af</sup>	80 <sup>/af</sup>	..	64 <sup>/ag</sup>	5 <sup>/g,ag</sup>
Access to electricity (as % of total population)	28 <sup>/ah</sup>	80 <sup>/b</sup>	..	41 <sup>/ah</sup>	..
Percent of rural population connected to electricity	12 <sup>/ah</sup>	40 <sup>/b</sup>	13	18 <sup>/ah</sup>	..
CONSUMPTION					
Radio receivers per 1000 population	32	127 <sup>/b</sup>	83 <sup>/b</sup>	107 <sup>/b</sup>	658 <sup>/b</sup>
Passenger cars per 1000 population	0.4	2 <sup>/b</sup>	7 <sup>/f</sup>	5 <sup>/b</sup>	134 <sup>/ak</sup>
Electric power consumption (kwh p.c.)	71	392 <sup>/b</sup>	164 <sup>/b</sup>	304 <sup>/b</sup>	3,909 <sup>/b</sup>
Newspaper consumption p.c. kg per year	1.8	3.4 <sup>/b</sup>	1.4 <sup>/b</sup>	2.2 <sup>/b</sup>	19.9 <sup>/b</sup>

Notes: Figures refer either to the latest periods or to the latest years. Latest periods refer in principle to the years 1956-60 or 1966-70; the latest years in principle to 1960 and 1970.

<sup>/1</sup> The Per Capita GNP estimate is at market prices for years other than 1960, calculated by the same conversion technique as the 1972 World Bank Atlas.

<sup>/2</sup> Average number of daughters per woman of reproductive age.

<sup>/3</sup> Population growth rates are for the decades ending in 1960 and 1970.

<sup>/4</sup> Ratio of population under 15 and 65 and over to population of ages 15-64 for age dependency ratio and to labor force of ages 15-64 for economic dependency ratio.

<sup>/5</sup> FAO reference standards represent physiological requirements for normal activity and health, taking

account of environmental temperature, body weights, and distribution by age and sex of national populations. Protein standards (requirements) for all countries as established by USDA Economic Research Service provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are somewhat lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.

<sup>/7</sup> Some studies have suggested that crude death rates of children ages 1 through 4 may be used as a first approximation index of malnutrition.

<sup>/8</sup> Percentage enrolled of corresponding population of school age as defined for each country.

- <sup>/a</sup> Computed by applying to the 1970 figure the growth rate of GNP per capita in real terms from 1960 to 1970; <sup>/b</sup> 1972; <sup>/c</sup> 1962; <sup>/d</sup> 1965-70; <sup>/e</sup> Derived from sample survey estimates (240,000 persons), excluding 17 eastern provinces; <sup>/f</sup> 1971; <sup>/g</sup> 1968; <sup>/h</sup> 1965-67; <sup>/i</sup> 1960-72; <sup>/j</sup> Seoul city and municipalities of 5,000 or more inhabitants; <sup>/k</sup> Municipalities; <sup>/l</sup> Administrative centers of provinces and districts ("Vilayet" and "Kasa" centers); <sup>/m</sup> For the definition of urban, see UN Demographic Yearbook 1973, p. 127; <sup>/n</sup> 1950-55; <sup>/o</sup> 1964-June 1974; <sup>/p</sup> 86 percent being IUDs; <sup>/q</sup> Ten years and over; <sup>/r</sup> 15 years and over; <sup>/s</sup> Wage and salary income of households; <sup>/t</sup> Households; <sup>/u</sup> 1974; <sup>/v</sup> Disposable income; <sup>/w</sup> Number on the register not all working in the country; <sup>/x</sup> Ratio of population under 15 and 65 and over to labor force of ages 15 and over; <sup>/y</sup> 1969; <sup>/z</sup> Estimate; <sup>/aa</sup> 1964-66; <sup>/ab</sup> Data on vocational education refer to public schools and includes technical education at the post-secondary level; <sup>/ac</sup> Definition unknown; <sup>/ad</sup> Persons six years old and over who tell the census takers that they can read and write; <sup>/ae</sup> Registered unemployed; <sup>/af</sup> Water piped inside; <sup>/ag</sup> Inside or outside; <sup>/ah</sup> Percentage of dwellings with electric lighting; <sup>/ai</sup> 1964; <sup>/aj</sup> 1955-60; <sup>/ak</sup> 1973; <sup>/al</sup> Estimate based on a labor force sample survey.

\* Japan has been selected as an objective country due to the similarity of the present Korean economic structure to that of Japan in the mid-fifties (with the same principle resource base, i.e., efficient, industrious, cheap labor and heavy reliance on imported raw materials). Moreover, agriculture, transport, and other sectors of the economy have similar characteristics. Korea also has, in its Long-Term Plan (1972-81), a pattern of industrial development which is not very different from the one Japan pursued with great success in the sixties.

**ECONOMIC DEVELOPMENT DATA**  
(Amounts in millions of U.S. Dollars)

	1972	Actual 1973	1974	1975	Projected 1976	1980	1972- 1974	1974- 1975	1975- 1980	1980- 1985	1974	1975	1980
<b>NATIONAL ACCOUNTS</b>													
	1973 Prices and Exchange Rate						Average Annual Growth Rates				As Percent of GDP		
Gross Domestic Product	10,666	12,415	13,474	14,471	15,484	21,018	12.5	7.4	7.8	8.7	105.2	109.5	106.3
Gain from Terms of Trade (+)	116	-	-664	-1,254	-1,254	-1,254	-	-	-	-	-5.2	-9.5	-6.3
Gross Domestic Income	10,762	12,415	12,810	13,217	14,230	19,764	9.1	3.2	8.4	8.7	100.0	100.0	100.0
Import (including NPS)	3,435	4,367	4,634	4,573	4,868	7,342	16.2	-1.3	9.9	9.0	36.2	34.6	37.2
Exports " (import capacity)	2,771	3,961	3,306	3,440	4,132	7,126	9.2	4.1	15.7	12.0	25.8	26.0	26.1
Resource Gap	-664	-406	-1,328	-1,133	-736	-216	41.1	-14.7	-	-	-10.4	-8.6	-1.1
Consumption Expenditures	9,017	9,598	10,780	11,434	12,118	16,340	9.3	6.1	7.6	7.3	84.2	86.5	83.7
Investment " (incl. stocks)	2,212	3,230	4,185	4,113	3,566	6,100	37.8	-1.7	8.3	12.2	32.7	31.1	30.9
Domestic Savings <sup>1/</sup>	1,629	2,817	2,694	3,037	3,366	4,477	28.8	12.7	12.7	12.5	21.0	23.0	22.7
National Savings <sup>2/</sup>	1,772	2,914	2,721	2,970	3,044	4,261	23.6	9.2	12.3	13.0	21.2	22.5	21.6
<b>MERCHANDISE TRADE</b>													
	Annual Data at Current Prices						As Percent of Total						
Imports													
Capital Goods	762	1,157	1,849	1,837	2,059	2,900	57.0	-0.7	9.6	16.1	27.0	25.9	20.7
Intermediate Goods (excl. fuels)	1,118	2,110	2,943	2,968	3,391	6,492	63.5	0.9	16.9	18.8	43.0	41.8	46.4
Fuels and Related Materials	230	312	1,150	1,395	1,700	2,700	150.0	21.3	14.1	15.5	16.8	19.7	19.3
of which, Petroleum	221	277	1,109	1,340	1,605	2,680	150.0	20.8	14.9	15.5	16.2	18.9	19.2
Consumption Goods	412	661	910	900	950	1,900	48.5	-1.1	16.1	14.2	13.3	12.7	13.6
Total Merch. Imports (cif)	2,522	4,240	6,852	7,100	8,100	13,992	63.0	3.6	14.5	17.1	100.0	100.0	100.0
Exports													
Primary products (excl. fuels)	269	327	422	501	567	1,341	25.0	18.7	21.8	19.8	9.4	9.9	10.0
Fuels and related materials	18	35	108	115	120	175	160.0	6.5	8.7	7.0	2.4	2.3	1.3
of which, Petroleum <sup>3/</sup>	1,389	2,909	3,985	4,448	5,662	11,891	68.0	11.6	21.4	24.3	88.3	87.8	88.7
Manufactured Goods	1,676	3,271	4,515	5,064	6,350	13,407	64.0	12.2	21.2	19.8	100.0	100.0	100.0
Total Merch. Exports (fob)	-	-	-	-	-	-	-	-	-	-	-	-	-
Tourism and Border Trade	-	-	-	-	-	-	-	-	-	-	-	-	-
Merchandise Trade Indices													
	Average 1973 = 100												
Export Price Index	79	100	127	118	124	150	27	-7	5	7			
Import Price Index	75	100	156	164	171	208	44	5	5	7			
Terms of Trade Index	106	100	81	72	72	72	-13	-11	-	-			
Exports Volume Index	64	100	109	132	158	277	30	21	16	11			
<b>VALUE ADDED BY SECTOR</b>													
	Annual Data at 1973 Prices and Exchange Rates						Average Annual Growth Rates				As Percent of Total		
Agriculture	3,201	3,500	3,620	3,837	3,952	4,633	6	6	4	2	29	29	23
Manufacturing and Mining	2,140	2,883	3,311	3,708	4,152	6,194	24	12	11	13	27	28	30
Other Sectors	4,368	4,975	5,549	5,715	6,166	9,560	13	3	11	8	44	44	47
Total	9,709	11,358	12,480	13,260	14,250	20,387	13	7	9	9	100	100	100
<b>PUBLIC FINANCE</b>													
(Central Government)													
Current Receipts	1,701	1,530	1,862	2,199 <sup>3/</sup>	2,351 <sup>6/</sup>	3,870	5	18	12	10	15	17	19
Current Expenditures	1,359	1,193	1,406	1,704 <sup>5/</sup>	2,062 <sup>8/</sup>	2,503	2	21	8	9	11	13	13
Budgetary Savings	342	337	456	495	489	1,367	15	9	30	12	4	4	7
Other Public Sector	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Sector Investment	522	443	593	728	746	1,888	7	23	21	10	5	6	10
<b>CURRENT EXPENDITURE DETAILS<sup>7/</sup></b>													
(As % Total Current Expend.)													
	1972	1973	1974	1975	1976 <sup>6/</sup>								
Education	18.6	19.3	17.8	17.5	18.0								
Other Social Services	9.1	10.4	9.6	8.8	5.0								
Agriculture	2.4	2.4	2.0	1.8	1.9								
Other Economic Services	3.6	3.5	2.3	2.1	2.0								
Defense	33.9	35.2	41.2	43.0	47.0								
Administration	13.9	13.8	12.1	11.5	9.8								
Transfers to local governments	15.1	14.2	14.2	14.6	16.1								
Other	3.4	1.2	0.8	0.7	0.2								
Total Current Expenditures	100.0	100.0	100.0	100.0	100.0								
<b>DETAIL ON PUBLIC SECTOR<sup>7/</sup></b>													
	Investment Program						US\$ Million At 1973 P and ER				% of Total 1974-76		
	1974	1975	1976				1974	1975	1976				
Social Sectors	67	73	84										
Agriculture	121	187	209										
Industry and Mining	41	82	73										
Power	55	44	33										
Transport and Communication	138	146	172										
Other	171	197	175										
Total expenditure	593	728	746										
<b>FINANCING</b>													
Public Sector Savings	456	495	489										
Domestic Borrowing	58	38	41										
Foreign Borrowing	79	195	216										
Total Financing	593	728	746										
<b>LABOR FORCE AND OUTPUT PER WORKER</b>													
	Total Employment						Value Added Per Worker (1973 - Prices & Exc. Rates)						
	In Millions		% of Total		1972-74		In U.S. Dollars	Percent of Avg.	1972-74				
	1972	1974	1972	1974	Growth Rate		1972	1974	1972	1974	Growth Rate		
Agriculture	5.3	5.6	50.6	48.2	2.8		604	646	66	60	3.4		
Manufacturing and Mining	1.5	2.1	14.2	17.8	18.3		1,189	1,577	140	147	15.1		
Other Sectors	3.7	3.9	35.2	34.0	2.7		1,181	1,423	129	132	9.8		
Total	10.6	11.6	100.0	100.0	4.6		916	1,076	100	100	8.4		

1/ Includes government, corporate and private non-corporate savings.  
2/ Includes domestic savings, net factor incomes from abroad and transfers from abroad.  
3/ Bunkering (manufactures).  
4/ Includes trade, banking, ownership of dwellings, public administration, other services.  
5/ Revised Budget.  
6/ Budget.  
7/ General Budget and Economic Development Special Account.

**BALANCE OF PAYMENTS, EXTERNAL ASSISTANCE AND DEBT**  
(amounts in millions of U.S. dollars at current prices)

Avg. Annual  
Growth Rate  
1975-1980

	Actual				Projected						
	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	
<b>SUMMARY BALANCE OF PAYMENTS</b>											
Exports (incl. NPS)	1,478	2,078	3,961	5,157	5,641	7,066	8,507	10,286	12,344	14,823	21.4
Imports (incl. NPS)	2,489	2,576	4,367	7,222	7,500	8,324	9,730	11,357	13,190	15,432	15.5
Resource Balance (X-M)	-1,011	-501	-406	-2,072	-1,859	-1,258	-1,224	-1,071	-845	-609	-
Interest (net)	-91	-106	-123	-141	-265	-407	-528	-613	-691	-755	23.3
Other Factor Income (net)	29	19	26	-49	-24	-196	-40	150	190	175	-
Workers Remittance	54	47	4	-	-	-	-	-	-	-	-
Current Transfers (net)	171	170	190	222	230	154	200	225	250	275	5.5
Balance on Current Account	-848	-371	-309	-2,040	-1,938	-1,707	-1,592	-1,309	-1,096	-914	-
Private Direct Investment (net)	41	74	137	104	42	135	203	220	240	260	44.0
Official Capital Grants	-	-	-	-	-	-	-	-	-	-	-
Public M&LT Loans <sup>1/</sup>											
Disbursements	639	784	759	1,085	1,491	1,766	1,942	2,043	2,226	2,379	9.8
-Repayments	250	247	276	360	411	574	711	854	877	902	17.0
Net Disbursements	389	537	483	725	1,080	1,192	1,231	1,189	1,349	1,477	6.4
Other M&LT Loans											
Disbursements	33	49	71	168	82	94	124	152	168	181	17.1
-Repayments	10	10	15	23	32	32	52	75	96	113	28.8
Net Disbursements	23	39	53	145	50	55	65	77	72	68	6.4
Capital Transactions, n.e.i.	312	-91	84	306							
Change in Net Reserves	-83	188	448	-760							
<b>GRANT AND LOAN COMMITMENTS</b>											
Official Grants & Grantlike	-	-	-	-							
Public M&LT Loans <sup>1/</sup>											
IBRD	85	73	150	85							
IDA	7	26	20	-							
ADB	81	68	46	89							
Other Multilateral	-	-	-	-							
Governments	305	505	381	418							
Suppliers	242	86	236	441							
Financial Institutions	12	80	205	787							
Bonds	-	-	-	19							
Public Loans, n.e.i.	-	-	-	-							
Total Public M&LT Loans	732	839	1,038	1,840							
<b>EXTERNAL DEBT</b>											
	Actual Debt Outstanding on Dec. 31, 74 <sup>1/</sup>				Actual						
	Disbursed Only				Percent						
IBRD	223.8			5.6							
IDA	78.3			1.9							
ADB	113.0			2.8							
Governments	1,697.3			42.1							
Suppliers	1,250.6			31.0							
Financial Institutions	648.5			16.1							
Bonds	19.0			0.5							
Total Public M&LT Debt	4,030.6			100.0							
Other M&LT Debts <sup>2/</sup>	396.0										
Short-term Debts <sup>2/</sup>	971.0										
<b>DEBT AND DEBT SERVICE <sup>1/</sup></b>											
Public Debt Out. & Disbursed					1,786	2,228	2,770	3,314	4,031		
Interest on Public Debt					64	93	104	140	196		
Repayments on Public Debt					211	250	247	276	360		
Total Public Debt Service					275	342	351	415	556		
Other Debt Service (net)					11	22	23	31	54		
Total Debt Service (net)					286	364	374	446	610		
<b>Burden on Export and NPS Earnings (%)</b>											
Public Debt Service					22.5	23.1	16.9	10.5	10.8		
Total Debt Service					23.4	24.6	18.0	11.3	11.8		
TDS+Direct Investment Inc.					24.2	25.6	20.0	12.7	13.7		
<b>Average Terms of Public Debt</b>											
Interest as % Prior Year DO&D					4.3	5.2	4.7	5.1	5.9		
Amort. as % Prior Year DO&D					14.3	14.0	11.1	10.0	10.9		
IBRD Debt Out. & Disbursed					9.6	40.2	94.7	139.8	223.8		
" as % Public Debt O&D					0.6	1.8	3.4	4.2	5.6		
" as % Public Debt Service					0.3	0.7	1.9	3.0	3.5		
IDA Debt Out. & Disbursed					26.7	39.8	47.1	58.5	78.3		
" as % Public Debt O&D					1.5	1.8	1.7	1.8	1.9		
" as % Public Debt Service					0.1	0.1	0.1	0.1	0.1		

<sup>1/</sup> SOURCE: IBRD, loans of maturity one year and above, including commercial bank borrowing  
<sup>2/</sup> SOURCE: Korean authorities

... not available separately but included in total

February 9, 1976

KOREA

THE STATUS OF BANK GROUP OPERATIONS IN THE REPUBLIC OF KOREA

A. Statement of Bank Loans and IDA Credits (as at December 31, 1975)

Loan or Credit Number	Year	Borrower	Purpose	US\$ Million		
				Amount (less cancellations)		
				Bank	IDA	Undisbursed
Seven loans and credits fully disbursed				153.8	39.7	
600	1969	ADC	Irrigation	45.0		3.0
151	1969	Republic of Korea	Education		14.8	1.5
669	1970	Republic of Korea	Railways	40.0		2.4
234	1971	Republic of Korea	Livestock		7.0	0.3
769	1971	Republic of Korea	Highways	54.5		1.3
283	1972	Republic of Korea	Irrigation		15.0	0.3
795	1972	ADC	Irrigation	33.0		27.7
335	1972	Republic of Korea	Agricultural Credit		10.5	0.6
863	1972	Republic of Korea	Railways	40.0		4.7
905	1973	KDFC	Dev. Fin. Co.	40.0		2.9
906 & 394	1973	Republic of Korea	Education II	23.0	20.0	42.8
917	1973	Republic of Korea	Ports	80.0		70.3
942	1973	Republic of Korea	Seeds Production	7.0		6.5
953	1974	Republic of Korea	Tourism	25.0		21.8
956	1974	Republic of Korea	Highways II	47.0		11.6
994	1974	AFDC	Agriculture	13.0		12.8
1070	1975	Republic of Korea	Secondary Cities	15.0		14.9
1095	1975	KDB	Dev. Fin. Co.	60.0		49.5
1096	1975	Republic of Korea	Third Education	22.5		22.5
1101	1975	Republic of Korea	Fifth Railway	100.0		100.0
1145	1975	KDFC	Dev. Fin. Co.	55.0		55.0
1175*	1975	MTB	Dev. Fin. Co.	30.0		30.0
Total				883.8	107.0	482.4
of which has been repaid				19.3	.5	
Total now outstanding				864.5	106.5	
Amount sold				2.0		
of which has been repaid				1.0		
Total now held by Bank and IDA (prior to exchange adjustment)				863.5	106.5	
Total undisbursed				460.0	22.4	482.4

\* Effective as of January 28, 1976

B. Statement of IFC Investments (as of December 31, 1975)

<u>Fiscal Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount in US\$ Million</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1968	KDFC	Development financing	-	0.7	0.7
1969	Honam Silk Co.	Textiles	1.4	0.3	1.7
1970	Atlas Paper Co.	Pulp and paper	4.5	0.5	5.0 <sup>1/</sup>
1971	Korea Invest- ment Finance Corporation	Capital market development	-	0.7	0.7
1974	KDFC	Development financing	-	0.4	0.4
1974	Korea Invest- ment Finance Corporation	Capital market development	-	0.3	0.3
1975	Gold Star & Co., Ltd.	Electronic products	16.0	1.3	17.3
1975	Korea Securities Finance Corp.	Capital market development	5.0	0.6	5.6
1975	Tong Yang Nylon Company Ltd.	Synthetic fibers	6.9	2.1	9.0
1975	Hae Un Dae Development Company Ltd.	Tourism	2.7	0.7	3.4
Total gross commitment			36.5	7.6	44.1
less cancellations, terminations, repayments and sales			<u>12.8</u>	<u>0.9</u>	<u>13.7</u>
Total commitments now held by IFC			<u>23.7</u>	<u>6.7</u>	<u>30.4</u>
Total undisbursed			<u>2.8</u>	<u>0.7</u>	<u>3.5</u>

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<sup>1/</sup> Cancelled at the request of the Company

PROJECTS IN EXECUTION <sup>1/</sup>Loan No. 600

Pyongtaek-Kumgang Irrigation Project; US\$45.0 million  
Loan of May 23, 1969; Effective Date: May 25, 1970;  
Closing Date: December 31, 1976

The Project includes irrigation for about 35,000 ha, improvement of drainage and roads, consolidation of paddy fields, benching of upland and tidal land reclamation. Construction was delayed by a reorganization of the executing agency and a delay in hiring consultants. The major project components (two sea dikes, the main distribution system and pumping plants) were largely completed by the end of 1974. Contracts for nearly all of the remaining work have been awarded. Cost considerations have led to the exclusion of about 5,000 ha of land from the project. Costs have risen from US\$90 million at appraisal to about US\$130 million largely because of the increased costs of right-of-way, engineering, administration and land consolidation. Preliminary estimates indicate increases in the price of rice will partially offset the effects of higher costs and reduced irrigable area. The economic rate of return is now estimated to be about 10 percent, compared with the appraisal estimate of 14 percent. The implementing agency (ADC) has reviewed ways of economizing on the remaining work which should lead to some marginal cost savings. About 90 percent of the Loan has been disbursed. Construction is progressing satisfactorily and is scheduled for completion by mid-1976.

Credit No. 151

First Education Project; US\$14.8 million Credit  
of June 4, 1969; Effective Date: May 25, 1970;  
Closing Date: September 30, 1976

This Project comprises: (a) the expansion and equipping of 27 technical, commercial and agricultural high schools, 5 post-secondary higher schools and 4 university teacher training departments; and (b) 26 man-years of technical assistance and 20 man-years of overseas fellowships to support the development of agricultural and technical education. All civil works, furniture, technical assistance and fellowships included in the Project have been completed. Equipment procurement is more than 90 percent complete and contracts have been awarded for about one third of the remaining items. Disbursement has now reached about 93 percent of the total. The total project cost is estimated to remain about 3 percent below the appraised estimate. Due to delays in final equipment procurement, the Closing Date has been extended by nine months.

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<sup>1/</sup> These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Loan No. 669  
Credit No. 183

Third Railway Project; US\$40.0 million loan and  
US\$15.0 million Credit of May 14, 1970; Effective  
Date: September 11, 1970; Closing Date:  
December 31, 1976

The bulk of the Loan and Credit was earmarked for the purchase of freight cars, diesel locomotives, and telecommunications and track maintenance equipment. Progress is generally satisfactory except for delays in the procurement of some microwave equipment which had to be re-tendered, and delivery is now expected in October 1976. The Closing Date has been extended by a year to December 31, 1976 to provide adequate time for the completion of procurement.

Credit No. 234

Integrated Dairy Beef Development Project; US\$7.0 million  
Credit of February 11, 1971; Effective Date: August 24,  
1971; Closing Date: March 31, 1977

The development of about 700 small and medium-sized dairy farms by providing long-term loans and the construction and operation of two dairy products processing plants were the principal components of the Project which also includes the provision of management and technical services. To date, about 580 farmers have participated and farm loans of about US\$4.5 million equivalent have been approved. About 4,900 head of cattle have been purchased and two dairy plants have been constructed and are in operation. The proceeds of the Credit are almost fully committed.

Loan No. 769

First Highway Project; US\$54.5 million Loan of  
June 29, 1971; Effective Date: December 7, 1971  
Closing Date: December 31, 1976

The construction of approximately 370 km of national highways between Jeonju and Busan was satisfactorily completed in December 1973, at a final cost about five percent above the appraisal estimate. Feasibility studies and detailed engineering have been completed for 1,400 km and 1,100 km of national highways, respectively. A study of road maintenance and the establishment of a pilot maintenance organization formed the basis of the creation of a country-wide Highway Maintenance Organization which is being carried out under the Second Highway Project. The Closing Date has been extended by 13 months to permit completion of procurement of highway maintenance equipment.

Loan No. 795  
Credit No. 283

Yong San Gang Irrigation Project; US\$33.0 million Loan  
and US\$15.0 million Credit of February 2, 1972; Effective  
Date: September 15, 1972; Closing Date: September 30, 1977

This Project aims at transforming an area with the highest drought frequency in Korea into one with reliable irrigation and crop diversification. Also, there will be increased production of high value crops such as fruits and winter vegetables. Design work is proceeding satisfactorily and the work on four dams, the main canals and land consolidation has started.

Award of all major contracts have been made, although the delay on several means that construction will begin roughly a year later than scheduled at appraisal. The delay was caused mainly by increased costs due largely to price escalation and design modification. The cost increases will be partially compensated for by benefits attributable to the enlargement of the area to be irrigated by about 1,400 ha., and ADC plans to reduce costs by constructing only canals, roads and drainage systems for contour furrow irrigation on all lands exceeding 2 percent slope. Also the Bank has begun monitoring construction costs on each of the ten major civil works contracts on a monthly basis.

Credit No. 335      Agricultural Credit Project: US\$10.5 million Credit of September 29, 1972; Effective Date: May 24, 1973; Closing Date: September 1, 1976

The Credit supports a three year lending program to small farmers to develop orchards, sericulture and mushroom production and to encourage the breeding of poultry and swine. It also finances an organizational and accounting study of the National Agricultural Cooperative Federation (NACF) and the strengthening of its training facilities. The Project is progressing satisfactorily and disbursement is proceeding on schedule.

Loan No. 863      Fourth Railway Project; US\$40.0 million Loan of November 22, 1972; Effective Date: February 26, 1973; Closing Date: December 31, 1976

The main elements of the Project are: electrification of lines in the Seoul suburban area; purchase of electric railcars and locomotives; the completion of electrification of 350 km of line running from Seoul to the northeastern part of Korea; track and bridge renewal; provision of yard facilities; acquisition of passenger and freight cars; and improvement of facilities for the maintenance and repair of motive power and rolling stock. No major problems have been encountered; nearly all of the Loan proceeds have been committed.

Loan No. 905      Fourth KDFC Project; US\$40.0 million Loan of June 13, 1973; Effective Date: September 10, 1973; Closing Date: December 31, 1977

The Project is progressing satisfactorily.

Loan No. 906      Second Education Project; US\$23.0 million Loan and  
Credit No. 394      US\$20.0 million Credit of June 13, 1973; Effective  
Date: September 10, 1973; Closing Date: December 31,  
1977

The Project provides equipment for and extensions to the buildings of: 18 technical and 14 agricultural high schools; ten higher schools/junior colleges for industrial, agricultural, fishery and nursing training; colleges



of agriculture, engineering and natural sciences in nine universities and a merchant marine college; and ten junior teacher colleges and 12 colleges of education. It also includes pre-investment studies on health and management education. Implementation is about seven months behind schedule due to delays in the preparation of equipment lists (civil works, which are being financed by the Government, are slightly ahead of schedule). The Project has encountered two problems: delays in equipment procurement and lack of counterpart funds to cover cost overruns on civil works (about 75%). However, steps have been taken by the Government and the Bank to overcome these problems and therefore implementation should improve within the next six months. The Project is expected to be completed on schedule by the end of 1977. Disbursement has been somewhat slower than expected at appraisal due to the delay in the preparation of equipment lists but is expected to improve.

Loan No. 917                      Ports Project; US\$80 million Loan of June 27, 1973;  
Effective Date: September 18, 1973; Closing Date:  
June 30, 1979

The Project includes the provision of container and bulk cargo facilities and equipment at Busan and coal piers and handling equipment at Busan and Mukho. Work on the first three civil works contracts, amounting to about one-third of the estimated project cost, is somewhat behind schedule but is now proceeding satisfactorily. Bids received for the Mukho coal-handling equipment and for the Busan grain handling facilities were close to the revised cost estimates. Preparation and issuance of the remaining contract documents is on schedule. The estimated project cost has risen by about a third from the appraisal estimate, but the foreign exchange cost should not increase by more than 20 percent because most of the civil works are expected to be carried out by local contractors. The percentage disbursement of the Loan is being reduced appropriately. The legislation for the establishment of the Korean Port Authority has been approved by the National Assembly and the necessary action is expected to follow shortly.

Loan No. 942                      Seeds Project; US\$7.0 million Loan of November 16, 1973  
Effective Date: April 24, 1974; Closing Date:  
December 31, 1978

The Project consists of: (a) the installation of five field crop seed processing and storage facilities; (b) farm machinery for seed production; (c) procurement of seasonal seed inventories through the operation of a revolving fund; (d) seed testing laboratories and equipment; (e) crop research (financed in part by USAID); (f) feasibility studies for irrigation and area development; and (g) technical assistance. The necessary legislative and administrative action for revising the Seed Law and establishing an "Office of Seed Production and Distribution" has been taken. Project implementation is proceeding satisfactorily. Preliminary estimates suggest that Project costs would be somewhat higher than envisaged at appraisal; the estimates are being reviewed.

Loan No. 953                      Kyongju Tourism Project; US\$25.0 million Loan of  
January 4, 1974; Effective Date: May 6, 1974;  
Closing Date: December 31, 1978

The Project forms part of the first phase of the planned development of the Bomun Lake resort near Kyongju. It provides for a multi-purpose dam; an irrigation system for about 1,200 ha; improvement and expansion of the water supply and sewerage and solid waste disposal systems for the city of Kyongju and the resort area; installation of electrical supply and telecommunication facilities for the resort area; the construction and/or re-alignment of about 57 kms of roads; infrastructure including storm water drainage, environmental sanitation, community facilities, are a golf course; a school for training hotel personnel; and a feasibility study for the development of tourism on Cheju Island. Final design for almost all Project components is complete and several contracts have been awarded.

Loan No. 956                      Second Highway Project; US\$47.0 million Loan of  
January 25, 1974; Effective Date: April 4, 1974;  
Closing Date: December 31, 1977

The Project, which forms part of the Government's 1972-76 road construction and paving program, consists of the construction (chiefly on new alignments) of about 130 kms and paving (largely on existing alignments) of approximately 635 km of national highways; feasibility studies by consultants of about 1,000 kms of national and provincial roads, followed by detailed engineering where justified; and the procurement of highway maintenance and workshop equipment for the extension of a new highway maintenance program from a pilot province to the remainder of the country. All construction and paving contracts have been awarded, and are expected to be completed in early 1976. Procurement of equipment is in progress and expected to be completed by mid-1976. The studies and engineering are expected to be completed by early 1977.

Loan No. 994                      Integrated Agricultural Products Processing Project;  
US\$13.0 million Loan of June 7, 1974; Effective Date:  
March 19, 1975; Closing Date: June 30, 1979

The Project aims at integrating the on-farm production of commercial crops for export with efficient hygienic processing facilities using land that is presently idle or underutilized. It comprises (i) on-farm development of asparagus, oak mushrooms and mushrooms; (ii) construction of and improvements to facilities to process asparagus, oak mushrooms, mushrooms and fruits; and (iii) technical assistance including training of staff, services of consultants, etc.

Loan No. 1070                      Secondary Cities Regional Project; US\$15.0 million  
Loan of January 15, 1975; Effective Date: August 18,  
1975; Closing Date: March 31, 1979

The principal aims of the Project are the establishment of an organizational framework for regional investment, planning and development and

to improve working and living conditions in the secondary cities of the less developed Gwangju region. The main elements of the Project are; (i) housing sites and services in the cities of Yeosu, Mogpo and Gwangju (370,384 m<sup>2</sup>); (ii) a fishery harbor complex with industrial processing zone (215,385 m<sup>2</sup>) in Yeosu; (iii) a city market in Suncheon City (33,160 m<sup>2</sup>); and (iv) access roads in Yeosu and Mogpo (6.61 km). It also provides technical assistance to strengthen regional planning and development, to improve the utilization of existing water supply systems in the four cities, to assist the management and operation of the fishery complex and to carry out feasibility studies of project proposals identified under the UNDP-financed Phase II Regional Study.

Loan No. 1095      Korea Development Bank Project; US\$60.0 million Loan of March 31, 1975; Effective Date: June 17, 1975; Closing Date: June 30, 1979

The Project provides funds to KDB which will be used to make sub-loans to finance direct imports for industrial sub-projects during the period mid-1975 to mid-1977.

Loan No. 1096      Third Education Project; US\$22.5 million Loan of March 31, 1975; Effective Date: June 6, 1975; Closing Date: June 30, 1980

The principal aims of the Project are to assist in supplying needed skills and to establish a framework for evaluating performance and improving the educational system. The Project consists of: (a) construction and equipment of a new technical high school; (b) equipment and extension of buildings for three agricultural junior colleges; (c) equipment and enlargement of buildings for a fisheries college, three fisheries high schools, and equipment for one merchant marine junior college; (d) construction and equipment of seven new vocational training institutes; and (e) financing of engineering and technical services required for the preparation of future education projects.

Loan No. 1101      Fifth Railway Project; US\$100.0 million Loan of April 10, 1975; Effective Date: July 15, 1975; Closing Date: December 31, 1978

The Project will help the Korean National Railroad (KNR) continue as a major carrier of freight and passengers by helping in: the upgrading, modernization and expansion of track, rolling stock, motive power, and other equipment; the improvement of the efficiency of operation; and its financial recovery. The main components of the Project are: an increase in station and line capacity and improvements in signalling; acquisition of rolling stock, diesel and electric locomotives, spare parts and repair facilities; track renewal and improvement; bridge strengthening; completion of electrification of 71 km of industrial lines; and other miscellaneous items.

Loan No. 1145

Fifth Korea Development Finance Corporation Project;  
US\$55.0 million Loan of July 23, 1975; Effective Date:  
September 5, 1975; Closing Date: June 30, 1980

The Loan will cover about half the KDFC's foreign exchange requirements through the end of 1977. It will be used to finance direct imports of machinery and equipment, and the foreign exchange component of domestically produced capital goods and of civil works.

Loan No. 1175

Medium Industry Bank (MIB) Project; US\$30 million  
Loan of November 26, 1975; Effective Date: January 28,  
1976; Closing Date: March 31, 1980.

The project provides funds to MIB to make sub-loans to small and medium-sized manufacturing enterprises over the next two years.

ANNEX III

KOREA

PROGRAM LOAN

Loan and Project Summary

<u>Borrower:</u>	The Republic of Korea
<u>Amount:</u>	US\$75 million
<u>Terms:</u>	20 years, including five years of grace, at 8-1/2 percent per annum.
<u>Project Description:</u>	To help meet foreign exchange requirements for the import into the Republic of Korea by the private sector of essential capital and intermediate goods.
<u>Estimated Disbursements:</u>	The entire loan amount is expected to be disbursed by April 30, 1977.
<u>Procurement Arrangements:</u>	Only goods purchased by firms in the private sector from Bank member countries (and Switzerland) on the basis of normal commercial practices through cash trans- actions would be eligible for reimburse- ment.

GROWTH AND STABILIZATION POLICY <sup>1/</sup>

1. The goal of Korea's economic policy in 1976 and the following years is the achievement of optimal growth consistent with the restoration and maintenance of economic stability, and of a positive basic balance of payments conducive to that growth.
2. This overall policy goal will be approached through the coordinated implementation of its interrelated elements: sound monetary and fiscal policies aimed at the restraint of aggregate demand, the increase of domestic savings, and the reduction of extra-budgetary deficits; appropriate balance of payments measures, including export promotion and import restraint, the inducement of favorable foreign investments and loans, and the sound management of foreign debts; and the sustained attainment of growth targets consistent with and conducive to these policy objectives.
3. While the following targets apply most specifically to 1976, the principles involved will be equally relevant in 1977 and succeeding years. The measures cited will be modified and refined in accordance with the success of their ongoing implementation and with evolving domestic and international conditions.
4. Monetary policy objectives in 1976 and 1977 will continue to emphasize restraint. In order to reduce the rate of inflation in wholesale prices from 20 percent in 1975 to 10 percent in 1976 (assuming a 5 percent increase in import prices), the expansion of domestic credit will be reduced from 33 percent to 26 percent, and the rate of increase in money supply from 26 percent to 20 percent.
5. Control of the money supply has been made easier by the effectiveness of last year's efforts to curtail aggregate demand, which tapered off significantly in the second half of the year. Achievement of the price policy target depends to a considerable extent upon external conditions which are less within our control, but the current evidence of a general easing of international inflationary pressures gives us reason to consider this a feasible immediate target. In 1977 and following years we expect to bring our rate of inflation down to the one-digit range, and eventually to the level prevailing among Korea's major trading partners.
6. In the area of price policy, our task will be essentially one of continued restraint, since the major structural changes necessitated by the resources crisis are now complete, as evidenced by half-year price movements in 1975. In the first half, wholesale and consumer price indices rose by 14.1 and 16.8 percent, while in the second half they increased by only 5.3 and 7.4 percent.

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<sup>1/</sup> A statement from the Deputy Prime Minister and Minister, Economic Planning Board, Republic of Korea.

7. Early this year the Government enacted a price stabilization and fair trade law designed to support market competitiveness and to provide objective criteria for defining and controlling monopolistic and unfair trade practices. The price movements of 100 key consumer commodities will be monitored and appropriate stabilization measures taken to facilitate the restraint of the consumer price index to an increase of less than 12 percent in 1976. Public utilities rates, with their strong psychological as well as cost-push effect upon other prices, will in general be held at their present levels during 1976.

8. Our domestic savings target is a 24 percent increase to W2,030 billion in 1976 with the objective of reversing the recent decline in the ratio of domestic savings to GNP, which fell from 22.1 percent in 1973 to 18.1 percent in 1975 under the pressure of inflation and a deteriorating balance of payments position. Our immediate objective is a modest increase in this ratio to 18.6 percent in 1976, reestablishing a rising trend which we expect to sustain in succeeding years. Motivation will be fostered through real rates of return on savings and intermediation will be strengthened through diversification of the savings channels offered by banks and other financial institutions. In particular, household savings among those in the lower and middle income brackets will be encouraged through the early establishment in 1976 of an installment savings program under which participants will be able to deposit up to 30 percent of their monthly income in three- and five-year accounts which will pay interest rates of 23 and 25 percent per annum.

9. One-third of the purchase of rice by the Grain Management Fund in this crop year (November 1975 to October 1976) is being paid for in the form of short-term certificates carrying an interest rate of 18 percent per annum. The total value of such certificates is estimated to be about W60 billion. Strong regulatory measures are being taken to broaden the ownership of private corporations which are expected to increase the supply of corporate securities to public investors by about W200 billion during 1976.

10. In the Government sector, our target in 1976 is a 24 percent increase in savings from the level of W337 billion attained last year, to be achieved by the improved management of extra-budgetary accounts, and other pertinent measures.

11. The price at which fertilizers are sold to farmers by the Fertilizer Fund will fully reflect the prices paid by the Fund for imports and purchases from domestic producers, thereby eliminating the need for budgetary subsidies or additional borrowing by the Fund during 1976 and thereafter.

12. The prices paid for the procurement and sale of grain by the Grain Management Fund (GMF) will be set at levels which will enable the elimination of the operating deficit in respect of wheat in 1976 and rice in 1977, leaving only a small deficit resulting from the subsidy on barley, sales of which are primarily to the lower income groups. The overall operating deficit of the GMF will be totally eliminated in 1978 although the deficit on barley sales may continue. The GMF may, however, continue to incur cash deficits for the accumulation of grain inventories as needed.

13. It is the Government's belief that through the reduction in the rate of inflation and the other measures being taken, particularly in the financial sector, an adequate improvement will be forthcoming in the mobilization of private savings. Together with the steps being taken to improve public savings, the Government expects a satisfactory improvement in the economy's aggregate savings performance. If it becomes clear that a positive rate of return on financial savings will not be achieved by the end of 1976, the interest rate structure will be reviewed and necessary corrective measures will be taken in a timely manner.

14. The management of public enterprises will be further rationalized through the introduction of specific incentives whereby salary increases and other benefits will be tied to performance, and through detailed examination of management by independent appraisal missions empowered to order specific corrections and improvements.

15. A broad-based value added tax will be legislated in 1976, which we hope to implement in 1977, making possible a simplified and more equitable sharing of the tax burden which national development requires.

16. The effectiveness with which these interrelated policies are carried out, particularly those dealing with national savings, will naturally have considerable bearing upon the achievement of the nation's balance of payments objectives, since it will affect our capability to attain our 1976 target of a 28 percent increase in exports from \$5.1 to \$6.5 billion, and to restrain imports to a projected 14 percent increase from \$6.5 to \$7.4 billion. With respect to the former target, our markets are diversifying fairly steadily. Exports, on a customs clearance basis, to countries other than the United States and Japan have expanded rapidly both in absolute and relative terms, rising from \$1.7 billion or 37 percent of Korea's total exports in 1974 to \$2.4 billion or 45 percent in 1975, of which more than 7 percent were to the Middle East.

17. Export promotion measures are being refined to reflect and take maximum advantage of current circumstances and opportunities. Foreign exchange loan funds for the expansion of domestic export facilities will be increased to \$205 million, and Korean currency funds to W50 billion, while available medium and long term export credit will be increased from W270 million to W700 million. The export of technology-intensive durable goods, such as machinery and electronic products, the further development and expansion of integrated trading companies, and the fullest possible exploitation of Korea's material and manpower export opportunities in the Middle East and elsewhere will also be fostered.

18. The target for overseas construction contracts in 1976 is a 71 percent increase to \$1.2 billion, while that for freight receipts is a 47 percent increase to \$148 million through increased utilization of Korean flag vessels. Receipts from tourism are targeted to increase by 33 percent to \$200 million.



19. With respect to imports, substitution will be strongly encouraged in areas where Korea has a present or potential comparative advantage. All categories of imported items will be screened to assess such comparative advantages.

20. As noted earlier, the ratio of domestic savings to GNP fell from 22.1 percent in 1973 to 18.1 percent in 1975. During this period, our foreign savings ratio increased commensurately from 4.0 percent to 11.4 percent, resulting in a marked decline in the share of domestic savings in gross investments from 85 percent to 58 percent. In the financing of investment, every possible effort will be devoted to increasing that share to at least 71 percent in 1976 and by a comparable degree in the following years, while maintaining a substantially steady ratio of gross investment to GNP.

21. The trade deficit is expected to fall from \$1.4 billion in 1975 to some \$900 million in 1976 and the current account deficit from \$1.9 billion to about \$1.5 billion, as the result of some measure of economic recovery in Korea's major export markets and a cessation of the three-year decline in its terms of trade. Assuming growth of 5 to 6 percent in the United States and Japan, export volume is forecast to rise by 22 percent, or at about the same rate as in 1975. This forecast assumes an average level of exports throughout 1976 only 5 percent above the level achieved in the second half of 1975. The increase in exports, combined with a moderate growth of GNP in Korea, is expected to result in a 9 percent increase in the volume of imports. The terms of trade are projected to remain at the 1975 level, with both export and import prices rising by 5 percent. This is a conservative assumption, since the terms of trade began to improve in the third quarter of 1975, following an unbroken run of declines in the preceding 11 quarters.

22. The fundamental balance of payments objective is the restoration and maintenance of a positive basic balance. In 1976, we expect that the current account deficit will be covered by anticipated net disbursements of medium- and long-term loans and investments. By the end of the decade, we intend to reduce the deficit to about 1-2 percent of GNP. This strengthening of the balance of payments will facilitate an improvement in the maturity structure of external borrowing and reduce reliance on short-term borrowing.

23. As for economic growth itself, our goals, as mentioned earlier, are less a matter of meeting a target than of adjusting to an optimal level compatible with the maintenance of domestic economic stability and the attainment of our balance of payments objectives. In the light of current and projected conditions, a growth of 7 to 8 percent in 1976 appears consistent with these criteria, while permitting the maintenance of the necessary level of employment and the desired degree of economic momentum. Real growth will of course be a function of our success in achieving the goals of these inter-related policies, particularly our domestic savings goals, within the evolving context of domestic and international developments.

ANNEX V

KOREA

PROGRAM LOAN

UNDP PLANNING ASSISTANCE PROJECT

The Bank is providing technical assistance under the project either through its own staff or through the hiring of consultants in the various fields listed below:

1. Analysis of Development Strategies
2. Inter-Industry Model Building
3. Pricing Policies (Power and Agriculture)
4. Trade Policies
5. Fiscal Policy
6. Domestic Resource Mobilization and Financial Planning
7. Industrial Planning
8. Energy Policy
9. Agriculture
10. Human Resources (Manpower & Education)
11. Social Development (Health, Social Security Insurance)
12. Transportation
13. Urban and Regional Planning

KOREA

STATISTICAL APPENDIX

<u>Table No.</u>	<u>Title</u>
1.	Expenditure on Gross National Product
2.	Industrial Origin of GNP
3.	Investment and Savings
4.	Composition of Gross Domestic Investment
5.	Balance of Payments
6.	Exports, Major Commodities
7.	Destination of Exports
8.	Imports by End Use
9.	Imports of Petroleum
10.	External Assistance, Disbursements
11.	Official Loans Classified by Terms
12.	Commercial Loans Classified by Terms
13.	National Budget
14.	Monetary Survey
15.	Interest Rates
16.	Industrial Production and Inventories
17.	Export and Import Prices, External Terms of Trade
18.	Domestic Prices

TABLE 1: Expenditure on Gross National Product  
(billion won)

	Constant 1970 Prices					Est.	Est.
	1970	1971	1972	1973	1974	1975	1976
Consumption	2166	2392	2552	2753	2934	3112	3298
Private	1884	2080	2226	2416	2547	2682	2803
Government	282	312	326	337	387	430	495
Gross Domestic Capital Formation	705	749	668	922	1102	1083	939
Fixed Investment	650	681	659	852	939	1021	920
Increase in stocks	54	68	9	70	163	62	19
Exports of Goods & non-factor Services	381	459	643	1034	1011	1162	1467 <sup>1/</sup>
Imports of Goods & non-factor Services	642	774	801	1087	1124	1119	1308 <sup>1/</sup>
Statistical Discrepancy	-32	2	-26	-72	-65	-73	-
Gross Domestic Product	2577	2829	3036	3549	3858	4166	n.a.
(% Change)	(9)	(10)	(7)	(17)	(9)	(8)	
Net Factor Income from Abroad	12	-2	-12	-27	-33	-58	n.a.
Gross National Product	2589	2827	3024	3523	3826	4108	4395
(% Change)	(8)	(9)	(7)	(17)	(9)	(7)	(7)
<hr/>							
		Current Prices					
Consumption	2166	2693	3282	3839	5476	7416	8914
Private	1884	2337	2844	3360	4734	6323	7486
Government	282	356	438	479	742	1093	1428
Gross Domestic Capital Formation	705	806	805	1292	2126	2460	2843
Fixed Investment	650	730	780	1169	1755	2301	2479
Increase in stocks	54	76	25	123	371	158	364
Exports of Goods & non-factor Services	381	514	814	1578	2071	2730	3776 <sup>1/</sup>
Imports of Goods & non-factor Services	642	866	1014	1740	2923	3585	4588 <sup>1/</sup>
Statistical Discrepancy	-32	7	-13	-4	95	205	-
Gross Domestic Product	2577	3154	3875	4966	6845	9225	n.a.
(% Change)	(25)	(22)	(23)	(28)	(38)	(35)	
Net Factor Income from Abroad	12	-2	-15	-37	-66	-174	n.a.
Gross National Product	2589	3152	3860	4929	6779	9052	11945
(% change)	(24)	(22)	(22)	(28)	(38)	(34)	(21)
GNP Deflator (1970=100)	100.0	111.5	127.6	139.9	177.2	220.4	249.1

<sup>1/</sup> Includes factor services

SOURCE: BOK Economic Statistics Yearbook; information provided to mission by EPB

TABLE 2: Industrial Origin of GNP (billion won)

	<u>Constant Prices</u>					<u>Est.</u>	<u>Est.</u>
	1970	1971	1972	1973	1974	1975	1976
Agriculture, Forestry, Fishery	725	748	761	803	848	900	936
(% Change)	(-1)	(3)	(2)	(6)	(6)	(6)	(4)
Mining & Manufacturing	591	690	794	1036	1212	1355	1517
(% Change)	(18)	(17)	(15)	(31)	(17)	(12)	(12)
Social Overhead							
Capital	345	368	389	483	509	564	609
(% Change)	(10)	(7)	(6)	(24)	(5)	(11)	(8)
Other	916	1023	1092	1227	1289	1289	1334
(% Change)	(10)	(12)	(7)	(12)	(5)	(0)	(4)
Gross Domestic Product	2577	2829	3036	3549	3858	n.a.	n.a.
(% Change)	(9)	(10)	(7)	(17)	(9)		
Net Factor Income from Abroad 12		-2	-12	-27	-33	n.a.	n.a.
Gross National Product	2589	2827	3024	3523	3826	4108	4395
(% Change)	(8)	(9)	(7)	(17)	(9)	(7)	(7)
<u>Current Prices</u>							
Agriculture, Forestry, Fishery	725	911	1095	1280	1718	2325	2827
(% Change)	(21)	(26)	(27)	(17)	(34)	(35)	(22)
Mining & Manufacturing	591	719	941	1338	1963	2639	3261
(% Change)	(30)	(22)	(31)	(42)	(47)	(35)	(24)
Social Overhead							
Capital	345	400	478	622	769	1048	1235
(% Change)	(25)	(16)	(20)	(30)	(24)	(36)	(18)
Other	916	1124	1361	1726	2395	3039	3621
(% Change)	(26)	(23)	(17)	(27)	(39)	(31)	(19)
Gross Domestic Product	2577	3154	3875	4966	6845	n.a.	n.a.
(% Change)	(25)	(22)	(23)	(28)	(38)		
Net Factor Income from Abroad 12		-2	-15	-37	-66	n.a.	n.a.
Gross National Product	2589	3152	3860	4929	6779	9052	10945
(% Change)	(24)	(22)	(22)	(28)	(38)	(34)	(21)

SOURCE: BOK Economic Statistics Yearbook, information provided to mission by EPB

**Table 3: INVESTMENT AND SAVINGS**  
(billion won)

	1970	1971	1972	1973	1974	Proj. 1975	Est. 1976
Gross Domestic Fixed Capital Formation	650	730	780	1169	1755	2301	2479
Increase in Stocks	54	76	25	123	371	158	364
Gross Domestic Capital Formation	705	806	805	1292	2126	2460	2843
National Savings	423	458	577	1090	1303	1636	2031
Private	243	268	428	865	1100	1299	1613
Government	180	190	150	225	203	337	418
Foreign Savings	249	354	215	199	918	1029	812
Net transfers from abroad	56	59	67	76	90	107	77
Net borrowing from abroad	193	295	148	123	827	922	735
Statistical Discrepancy	32	-7	13	4	-95	-205	-
GNP	2589	3152	3860	4929	6779	9052	10945

SOURCE: BOK Economic Statistics Yearbook, information provided to mission by EPB

TABLE 1. Composition of Gross Domestic Investment  
(billion won)

	1970	1971	1972	1973	1974	Preliminary 1975
<u>Current Prices</u>						
Fixed Capital Formation	650	730	780	1169	1755	2301
Agriculture, Forestry, Fishery	52	60	85	100	190	280
Mining and Quarrying	3	5	5	8	17	28
Manufacturing	129	143	156	339	390	499
Construction	8	10	11	22	17	35
Electricity, Water, Sanitation	74	63	45	53	111	153
Transport, Storage, Communication	168	193	234	300	469	594
Wholesale and Retail Trade	39	46	37	48	83	106
Banking, Insurance, Real Estate	7	5	5	8	13	29
Ownership of Dwellings	88	101	105	158	299	409
Public Administration	13	23	26	24	28	31
Services	70	79	72	110	139	136
Increase in stocks	54	76	25	123	371	159
Gross Domestic Investment	705	805	805	1292	2126	2460
<u>Constant 1970 Prices</u>						
Fixed Capital Formation	650	681	659	852	939	1021
Agriculture, Forestry, Fishery	52	56	72	76	98	123
Mining and Quarrying	3	5	4	6	8	11
Manufacturing	129	132	129	238	195	208
Construction	8	9	9	14	8	13
Electricity, Water, Sanitation	74	60	40	41	64	71
Transportation, Storage, Communication	168	178	197	212	250	261
Wholesale and Retail Trade	39	44	31	37	48	50
Banking, Insurance, Real Estate	7	5	4	6	8	14
Ownership of Dwellings	88	96	89	121	171	192
Public Administration	13	21	22	18	16	14
Services	70	75	62	85	74	65
Increase in stocks	54	68	9	70	163	62
Gross Domestic Investment	705	749	668	922	1102	1083

SOURCE: BOK Monthly Economic Statistics, information provided to mission by EPB

TABLE 5: Balance of Payments

	(million US\$)						
	1970	1971	1972	1973	1974	<u>Estimated</u> <sup>1/</sup> 1975	<u>Projected</u> <sup>1/</sup> 1976
Current Account	-623	-848	-371	-309	-2040	-1938	-1707
Exports	882	1132	1676	3271	4515	5064	6350
Imports	-1804	-2178	-2250	-3837	-6468	-6600	-7500
Trade Balance	-922	-1046	-574	-566	-1953	-1536	-1150
Invisibles	119	28	33	67	-309	-612	-711
Transfers	180	171	170	190	222	210	154
Capital Account	502	634	502	760	812	1821	1575
Private Investment	66	43	74	137	104	42	135
Commercial MLT Capital	206	168	217	273	498	572	568
Official MLT Capital	108	288	230	267	255	489	622 <sup>2/</sup>
Short-term Capital	122	135	-19	83	-45	718	250
Errors and Omissions	142	46	62	16	133	-	-
Financing	-21	168	-193	-467	1095	117	132
IMF	-13	-	-	-	132	128	75
Bank borrowing over one year	-20	85	-5	-19	203	69	57
Change in net reserves <sup>3/</sup> (+ decrease)	12	83	-188	-448	760	-80	0

Memo:

Net Reserves (beginning of year) <sup>3/</sup>	515	503	420	608	1056	296	376
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<sup>1/</sup> Mission estimates<sup>2/</sup> Includes proposed program loan<sup>3/</sup> Net reserves equals gross foreign assets minus short-term foreign exchange liabilities of the banking system.

SOURCE: Economic Planning Board and Mission estimates.



TABLE 6: Exports, Major Commodities  
(million \$, fob)

	1970	1971	1972	1973	1974	Jan.-Sept. 1975	Avg. Growth Rate 1970-74 (Percent)
Fish & Fish Preparations (03) <sup>1/</sup>	40.8	42.4	70.4	143.5	168.4	159.6	43
Veneer Sheets and Plywoods (63)	91.7	127.4	153.6	270.8	163.4	154.8	16
Textiles (65)	84.9	137.8	176.6	435.2	492.6	446.8	56
Iron and Steel (67)	13.4	24.4	92.8	188.9	450.3	143.6	240
Electrical Machinery and Appliances (72)	43.9	68.5	223.3	312.5	474.2	295.8	72
Clothing (84)	213.6	304.3	442.4	749.9	957.0	764.0	45
Footwear (85)	17.3	37.4	55.4	106.4	179.5	126.2	76
Miscellaneous Manufactures (89)	114.1	91.8	121.8	243.0	294.9	263.1	27
(Percent of Total Exports)	(74.2)	(78.1)	(82.3)	(76.0)	(71.3)	(69.9)	
Total Exports	835.2	1067.6	1624.1	3225.0	4460.4	3368.9	52

<sup>1/</sup> Numbers in parentheses are SITC Codes

SOURCE: Office of Customs Administration, Monthly Foreign Trade Statistics.

TABLE 7: Destination of Exports

	1970	1971	1972	1973	1974	1975 Jan.-Sept.
	----- (million \$, fob) -----					
U.S.	395	532	759	1021	1492	1035
Japan	234	262	408	1242	1380	866
Europe	73	82	153	350	567	547
Canada	20	29	58	125	167	132
Hong Kong	28	41	72	118	151	123
Others	85	122	174	369	703	665
TOTAL	835	1068	1624	3225	4460	3368
	<u>Percent Composition</u>					
U.S.	47	50	47	32	33	31
Japan	28	25	25	39	31	26
Europe	9	8	9	11	13	16
Canada	2	3	4	4	4	4
Hong Kong	3	4	4	4	3	4
Others	10	11	11	11	15	20

SOURCE: EPB Monthly Statistics of Korea

TABLE 8: Imports by End Use  
(million dollars,cif)

	1972	1973	1974	Estimated 1975	Projected 1976
Capital Goods	762	1157	1849	1837	2059
Raw Materials for Exports	688	1547	1958	2000	2500
Crude Oil	221	277	1109	1340	1605
Grain	283	444	613	724	451
Consumer goods, raw materials and inter- mediate goods for domestic use	569	815	1323	1199	1485
TOTAL	2522	4240	6852	7100	8100

SOURCE: Data supplied to mission by EPB and mission estimates.

TABLE 9: Imports of Petroleum

	1970	1971	1972	1973	1974	<u>Estimated</u> 1975	<u>Projected</u> 1976
Crude Oil (million barrels)	69	85	93	103	113	121	134
Value (million \$)	119	179	221	277	1109	1340	1605
Unit Price (\$/barrel)	1.7	2.1	2.4	2.7	9.8	11.1	12.0

SOURCE: EPB estimates provided to mission

TABLE 10 . External Assistance, Disbursements

(million \$)

	1970	1971	1972	1973	1974
<hr/>					
<u>Multilateral Institutions</u>	<u>13</u>	<u>59</u>	<u>71</u>	<u>96</u>	<u>155</u>
ADB	5	13	10	42	46
IBRD	7	31	57	48	89
IDA	1	15	4	6	20
<u>Governments</u>	<u>148</u>	<u>313</u>	<u>333</u>	<u>399</u>	<u>242</u>
Japan	13	123	75	129	113
USA	126	170	230	257	82
Other	9	20	28	13	47

SOURCE: IBRD, External Debt Division

TABLE 11: Official Loans Classified by Terms, 1959-73  
(Commitment Basis)

	(US\$ million)					
	1959-'66	1967-'71	1972	1973	1974	1959-'74
<hr/>						
Interest Rate						
0-1%	78.0	50.0	26.0	20.0	-	173.6
1-3%	194.0	450.0	262.0	42.0	25.0	972.0
3-5%	64.0	75.0	165.0	205.0	202.5	711.2
5-7%	5.0	94.0	-	-	35.0	134.0
Over 7%	-	230.0	138.0	206.3	194.0	767.4
Floating rate	1.0	5.0	-	-	-	6.2
Total	342.0	903.0	590.0	473.3	456.5	2764.4
Grace Period						
0-3 years	21.0	136.0	33.0	87.0	70.0	347.0
3-5 years	16.0	89.0	180.0	113.2	38.0	435.0
5-7 years	45.0	207.0	93.0	14.0	303.5	661.2
7-9 years	-	-	-	-	-	-
Over 9 years	260.0	472.0	283.0	260.1	45.0	1320.9
Total	342.0	903.0	590.0	473.3	456.5	2764.4
Repayment Period <sup>1/</sup>						
3-10 years	6.0	4.0	-	-	-	10.5
10-15 years	15.0	130.0	58.0	30.2	100.0	333.0
15-20 years	67.0	153.0	175.0	68.2	141.5	604.5
20-30 years	3.0	229.0	73.0	203.1	190.0	698.0
30-40 years	236.0	340.0	258.0	146.8	25.0	1006.5
Over 40 years	14.0	47.0	26.0	25.0	-	111.9
Total	342.0	903.0	590.0	473.3	456.5	2764.4

<sup>1/</sup> Includes grace period

SOURCE: Bureau of Economic Cooperation, EPB

TABLE 12: Commercial Loans Classified by Terms, 1962-74  
(Commitment Basis)

	(US\$ million)					
	1962-66	1967-71	1972	1973	1974	1962-74
<hr/>						
Interest Rate						
0-4%	20.0	4.0	-	6.0	1.1	31.5
4-5%	82.0	11.0	4.0	-	-	97.6
5-6%	158.0	963.0	44.0	155.9	98.3	1418.6
6-7%	36.0	282.0	47.0	47.1	379.0	791.7
7-8%	3.0	270.0	10.0	45.0	96.8	426.5
8-9%	-	101.0	70.0	22.3	6.4	200.9
Over 9%	-	161.0	-	7.0	15.1	182.9
Floating rate	-	101.0	122.0	304.6	490.1	1017.7
Total	301.0	1894.0	297.0	587.9	1086.8	4166.3
Grace Period						
0-1 year	59.0	491.0	58.0	46.2	138.9	793.5
1-2 years	102.0	509.0	49.0	78.9	268.7	1008.1
2-3 years	84.0	410.0	107.0	273.8	315.5	1189.9
3-4 years	44.0	120.0	74.0	30.2	359.2	628.4
4-5 years	-	126.0	9.0	76.0	1.9	212.0
Over 5 years	11.0	238.0	-	82.8	2.6	334.4
Total	301.0	1894.0	297.0	587.9	1086.8	4166.3
Repayment period <sup>1/</sup>						
3-5 years	6.0	296.0	5.0	16.1	14.1	373.0
5-10 years	151.0	679.0	93.0	213.2	449.1	1583.5
Sub-total	157.0	975.0	98.0	229.3	463.2	1956.5
10-11 years	42.0	143.0	39.0	228.0	133.0	585.0
11-12 years	60.0	101.0	16.0	55.0	3.7	235.0
12-13 years	5.0	210.0	38.0	33.0	43.0	329.0
13-14 years	11.0	24.0	5.0	-	298.7	339.0
14-15 years	25.0	186.0	28.0	-	145.0	384.0
15-20 years	-	256.0	37.0	43.6	-	336.7
Sub-total	143.0	920.0	163.0	360.0	623.7	2209.0
Total	301.0	1894.0	297.0	587.9	1086.8	4166.3

<sup>1/</sup> Include grace period

SOURCE: Bureau of Economic Cooperation, EPB

TABLE 13: National Budget  
(billion won)

	1971	<u>Actuals</u>		1974	<u>Revised</u> 1975 draft	1976 draft
		1972	1973			
Revenue	488	511	609	946	1390	1849
Domestic taxes	356	374	439	718	992	1213
Customs	52	59	82	127	170	204
Monopoly	45	43	57	69	136	178
Defense sur-tax	-	-	-	-	58	214
Other <sup>1/</sup>	35	34	30	32	35	40
Expenditures						
Current	369	461	475	714	1077	1496
Defense	135	174	184	294	463	705
Grants to local govt.	91	100	106	123	180	240
Salaries and pensions	68	89	91	141	202	325
Other	75	98	94	156	232	226
Capital	177	190	177	301	480	540
Transfer to non-budgetary accounts	7	22	70	176	290	270
Overall Deficit	66	163	113	245	457	457
Financing						
Domestic non-market borrowing	7	9	11	14	24	30
Counterpart fund	12	4	-	-	-	-
BOK borrowing	3	92	61	191	290	170
Cash balance	-	-32	-31	-	-	-
Foreign borrowing	44	89	71	40	143	157
Grain Bonds	-	-	-	-	-	100
Memo						
Current Account Surplus	119	50	134	232	313	353
(% GNP)	3.8	1.3	2.7	3.4	3.5	3.2

<sup>1/</sup> Includes foreign grants and non-tax revenues

SOURCE: Information provided to mission by EPB



TABLE 14: Monetary Survey

	1970	1971	1972	1973	1974	September 1974	September 1975
(Billion Won)							
Domestic Credit	867	1135	1479	1940	2984	2578	3753
Private Sector	919	1201	1463	1900	2863	2574	3457
Public Sector	-52	-66	16	40	121	4	296
Foreign Assets	196	198	311	476	535	399	672
Other Assets	77	124	170	202	231	218	261
Total Assets/Liabilities	1140	1456	1960	2619	3751	3195	4686
Money (M1)	308	358	519	730	946	885	1073
Quasi-Money <sup>1/</sup>	590	727	932	1243	1490	1461	1875
Foreign Liabilities	86	161	209	177	715	335	972
Other Liabilities <sup>2/</sup>	156	210	300	469	600	514	766
<u>Percent Change over previous year</u>							
Domestic Credit	26.8	30.9	30.3	31.2	53.8	43.9	45.6
M1	22.2	16.2	45.0	40.7	29.6	35.3	21.2
M2 <sup>3/</sup>	27.6	20.8	33.7	36.0	23.5	29.8	25.7
Quasi-money	30.2	23.2	28.2	33.4	19.9	26.5	28.3

<sup>1/</sup> Includes time deposits, savings deposits and residents' deposits in foreign currency

<sup>2/</sup> Includes Bonds, Debentures, Guarantees, Capital Account and others

<sup>3/</sup> M2 includes money (currency and demand deposits) and quasi-money

SOURCE: BOK Monthly Economic Statistics

Table 15: DEPOSIT INTEREST RATES OF BANKING INSTITUTIONS <sup>a/</sup>

	1965		1966		1969	1971	1972		1973	1974		1975
	Prior to Sept. 30	Sept. 30	April 1	Oct. 1	June 1	June 28	Jan. 17	Aug. 3	Aug. 16	Jan. 24	Dec. 9	July 1
<b>Deposits</b>												
<b>Time Deposits</b>												
Over 18 months	15.0	30.0	27.6	c/	-	21.3	17.4	12.6	12.6	15.0	15.0	15.0
Over 12 months	15.0	26.4	26.4	25.2	22.8	20.4	16.8	12.0	12.0	15.0	15.0	15.0
Over 6 months	12.0	24.0	20.4	19.2	16.8	14.4	11.4	8.4	8.4	13.2	15.0	13.8
Over 3 months	9.0	18.0	15.6	14.4	12.0	10.2	8.4	6.0	6.0	12.0	15.0	12.6
<b>Short-Term Savings</b>												
Notice Savings <sup>b/</sup>	3.65	5.00	5.00	5.00	5.00	5.00	5.00	3.65	3.65 <sup>d/</sup>	3.65	3.65	6.0
	3.60	7.20	-	-	-	-	-	-	-	-	-	-
New Household Deposits <sup>c/</sup>	-	-	12.0	12.0	9.6	8.7	6.6	4.8	4.8 <sup>d/</sup>	4.8	4.8	-
Installment Savings Deposits	10.0	30.0	28.0	25.0	23.0	21.0	17.0	12.0	12.0 <sup>d/</sup>	13.2	13.2	13.2
Deposits of National Savings Association	16.8	30.0	28.0	25.2	22.8	21.0	17.4	12.6	12.6 <sup>d/</sup>	12.6	12.6	12.6
<b>Demand Deposits</b>												
Passbook	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80 <sup>d/</sup>	1.80	1.80	1.8
Temporary	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00 <sup>d/</sup>	1.00	1.00	1.0

<sup>a/</sup> Time deposit rates are actual rates agreed upon by the Korea Banking Association. The other rates are maximum rates decided by the Monetary Board.

<sup>b/</sup> Abolished in November 1967.

<sup>c/</sup> New Household Deposits - maximum balance per account 5 million won; depositors must be individuals or non-profit organizations, and a 30 days' notice is required for withdrawal.

<sup>d/</sup> May 1, 1973

Source: Bank of Korea, Monthly Economic Statistics.

Table 16. INDUSTRIAL PRODUCTION AND INVENTORIES  
(1970=100)

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		<u>Industrial Production</u>		<u>Producers' Inventory</u>	
		<u>Index</u>	<u>% Change from previous year</u>	<u>Index</u>	<u>% Change from previous year</u>
1970		100.0	11.5	100.0	n.a.
1971		115.4	15.4	123.1	23.1
1972		132.2	14.6	145.9	18.5
1973		176.4	33.4	145.1	-0.5
1974		225.0	27.6	211.7	45.9
1974	March	222.1	38.0	184.2	32.6
	June	241.0	40.6	204.1	50.4
	August	218.5	14.6	233.5	64.4
	December	245.9	19.4	221.0	46.4
1975	March	254.5	14.6	236.7	28.5
	June	262.5	8.9	242.9	10.1
	August	278.8	27.6	236.5	1.3

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Source: EPB Statistics of Korea; information provided to mission

TABLE 17: Export and Import Prices, External Terms of Trade

	1970	1971	1972	1973	1974	Jan.-Sept. 1975	Est. 1975	Proj. 1976
Exports <sup>1/</sup>								
Value (mil. \$ fob)	835	1068	1624	3225	4460	3368	4995	6264
Unit price index (1970=100)	100.0	98.8	99.9	126.5	160.2	143.9	149.1	156.6
Imports <sup>1/</sup>								
Value (mil.\$ cif)	1984	2394	2522	4240	6852	5327	7100	8100
Unit price index (1970=100)	100.0	99.6	101.3	135.2	210.3	209.8	220.8	231.8
Terms of Trade (% Change)	100.0	99.2	98.6	93.6	76.2	68.6	67.5	67.6
		-0.8	-0.6	-5.1	-18.6		-11.4	0.2

<sup>1/</sup> Customs clearance basis

SOURCE: BOK Monthly Economic Statistics, mission estimates

Table 18. DOMESTIC PRICES  
(1970=100)

		<u>Wholesale Prices</u>		<u>Consumer Prices</u>		<u>GNP Deflator</u>	
		% Change from pre- vious year		% Change from previous year		% Change from pre- vious year	
		<u>Index</u>		<u>Index</u>		<u>Index</u>	
1970		100.0	9.2	100.0	16.0	100.0	15.3
1971		108.6	8.6	113.5	13.5	111.5	11.5
1972		123.8	14.0	126.8	11.7	127.6	14.4
1973		132.4	6.9	130.8	3.2	139.9	9.6
1974		188.2	42.1	162.6	24.3	177.2	26.7
1975 <sup>1/</sup>		238.0	26.5	203.7	25.3	220.4	24.4
1974	March	179.8	40.8	157.2	22.6		
	June	190.7	47.0	159.7	23.5		
	September	193.9	42.9	170.9	29.1		
	December	210.0	44.6	174.5	26.4		
1975	March	225.5	25.4	189.2	20.4		
	June	239.6	25.6	203.9	27.7		
	September	244.3	26.0	215.4	26.0		
	December <sup>1/</sup>	252.4	20.2	218.9	25.4		

<sup>1/</sup> Estimated

Source: BOK Monthly Economic Statistics and mission estimates



